

**From:** [REDACTED]  
**To:** [AccomPricingReview](#)  
**Subject:** Residential Aged Care Accommodation Pricing Review - Consultation paper response  
**Date:** Wednesday, 5 November 2025 9:27:57 PM  
**Attachments:** [REDACTED]

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Dept of Health, Disability and Ageing (Consultation response)

Aegis Aged Care Group is responding as an approved provider .

The aged care funding and financing model is now very easy to understand . I have used our own consolidated data for the 13 months ended July 2025 (prior to the 1 Oct AN-ACC increase and FWC wage increases).

I have reflected the Revenue and Cost items on a per bed per day basis.

- AN-ACC income + Hotel Supplement just covers the total Roster cost [all clinical and non clinical roles] ie : AN-ACC is a cost recovery tool with nil/negligible margin
- BDCF vs the all Operating Costs (excl non cash items and wages) sees a small deficit of \$4 per day per bed.
- Hence after providing care , paying wages , opening the doors and incurring the operating costs - after receiving AN-ACC, Hotel Supplement and BDCF - there is a small deficit per bed .

Aged Care surplus / profitability / margin all comes from Accommodation Income and Additional Services

Summary :

		<b>13 month average</b>
Group Residential Aged Care		
Occupied bed days		1,175,976
Roster Cost		(356,644,134)
<b>Av Roster per bed per day</b>		<b>-\$303.28</b>
Govt Care subsidies		343,837,954
Hotel Supplement		14,425,384
Govt Care subsidies pbpd		
Hotel Supplement pbpd		
Combined Govt Care and Hotel Supp		<b>\$304.65</b>
<b>Var Roster vs Govt Care funding pbpd</b>		<b>\$1.38</b>
BDCF		74,248,729
<b>BDCF pbpd</b>		<b>63.14</b>
Op exp's excl Roster		(78,964,646)
Op exp's excl Roster pbpd		- 67.15
<b>Op exp's deficit to BDCF pbpd</b>		<b>-\$4.01</b>
Additional Services revenue		13,922,140
Accom Income excl RADs (Acc Inc)		31,733,783
		45,655,923
<b>Combined AS + Acc Inc pbpd</b>		<b>\$38.82</b>
<b>Surplus pbpd 1+2+3 (EBITDA)</b>		<b>\$36.19</b>

The Additional Services represented cannot be sold after 1 November – this revenue will cease by 31/10/2026

New retentions will begin to flow on new RADs from 1 Nov - but the retention income will only be slightly higher than the AS revenue we previously achieved once all RADs turn over in say 2.5 to 3 years time.

We are looking at HELF but know the revenue of this optional service offering will not be as strong as the mandatory AS model offered as the other co-contribution expenses will test aged care affordability of the consumer.

The EBITDA surplus you can see all comes from Accommodation Income and Additional Services revenue. But I note after non cash expenses of depreciation and interest there is only a very marginal surplus

At circa \$36 per bed per day (being the weighted average net surplus across our ~3000 beds which are 65% Non Supported and 35% Supported - we see a mix of strong RAD receipts , a small portion of DAP payments (with most non supported residents paying on average 78% of the room price as a lump sum RAD ) and the modest Accommodation Supplements to achieve the weighted average Net income of \$36 per bed per day.

The business of Residential Aged Care makes no margin from the daily operations or the delivery of the core product being care . The surplus is from occupancy and the corresponding Accommodation revenue .

At \$36 pbpd , annualised this equates to a return on investment of 2.92% on the average cost today of \$450,000 to build a bed (excl land cost and ramp up expenses) - this ROI is not commercial - and for most is a deterrent to invest the huge capital needed to build new facilities.

Little wonder few providers are building beds - as really there is no strong business case to do so - there is evidence of larger provider acquiring small portfolios for the economies of scale advantage - this is good for their businesses but does little to alleviate the aged care bed shortage in Australia.

Accommodation Income is the only source of surplus and the net returns must be increased if the Government expects the outsourced provider model to build the many many beds that are required.

All the new co-contribution costs for Non Supported Consumers do save the Government on a per capita basis - but as the co-contributions are offset against the Govt AN-ACC and Hotel Supplements - the provider is not better off and there is now a greater arrears risk as a larger portion of the revenue is now reliant on the consumer actually paying for the services -

The Accommodation Supplement for a facility >40% supported is currently \$70.94 - this needs to be circa \$117 to bring parity to the Accommodation Income derived and opportunity benefit of a RAD for a non-Supported bed .

The paper refers to the RAD review of 2030 being out of scope - this review along with this Accommodation pricing review needs to be brought forward . Most providers use RADs as a capital source to repay the build cost of an Aged Care Facility - 2030 is only 5 years away but it take 5 year to get a new project landed and operational - and now there is a risk that the RAD review may decision that RADs are no longer available - conservative boards will not build facilities if the risk of the quick capital cost recovery from RADs is possibly not going to be there. This review on the future of RADs I accept is out of scope - but if the Government wants bed building to quicken this RAD review needs to be either dumped or brought forward along with this pricing review to provide the sector the certainty of prudential financial modelling for the very expensive process of building RACF's.

The aged care provider margins are low given all net cash surplus is reliant on Accommodation income as evidenced above - RADs do not create income , they save the alternate senior debt /

bank interest cost and surplus RADs held after construction costs are paid only earn a small interest return in a bank account / permitted investment.

The current RAD liability in the country I understand is circa \$39B . The consultation paper and recent reforms suggest a discouragement agenda for RADs to be the primary form of payment by Consumers who are non supported - it is all well and fine for a solution to be found to raise the DAP income and reduce the reliance on RADs - but in reality how would all providers refinance \$39B of RAD liabilities - this is too much debt for the Australian Banks to be prepared to take on at the current aged care performance margins and even if they did the underlying cashflow from RACF would at best only service interest on the Bank debt and not provide reasonable repayment horizons - so a Snr Debt Bank market is not the alternate to the current RAD market.

I note from the attached heat map that Non Supported Consumers with lower net asset pools after a house sale to pay a RAD get very little monthly fee relief as the new NCCF and HS co-contributions offset the DAP savings once the house is sold to pay a RAD - a very wealthy person with high asset holdings is protected by a relatively low daily co-contribution cap and low life time cap - this new system is prejudicial to Consumers deemed as middle Australia and favours the very wealthy - but I note the majority of the current generation of Non Supported Care Recipients are more representative of middle Australia financial demographics - so this reduced incentive to sell the house to pay the RAD is going to change the way Non Supported people pay for their accommodation which does risk net RAD capital outflow and with the liquidity standards required may be a further factor that does not enable the required RACF building works to occur that are so needed.

I conclude I support the pricing review to deliver a fix to the current non commercial returns to encourage new builds . But all this good work may not deliver the boost in new bed builds if the focuses to reduce the reliance on RADs become too strong .

I look forward to the meeting I have been invited to on the 13<sup>th</sup> November to further discuss the proposed Accommodation Pricing Review.

Regards

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		Current			New				
		Threshold	Rate (Up to)	Cummulative	Threshold	Rate (Up to)	Cummulative		
Income	Threshold 0	\$0	0.0%		\$0	0.0%			
Income	Threshold 1	\$33,735	0.0%	\$0	\$33,735	0.0%	\$0		
Income	Threshold 2	\$9,999,999,999	50.0%	\$0	\$84,324	50.0%	\$0		
Income	Threshold 3				\$95,400	0.0%	\$25,295	\$69.49	
Income	Threshold 4				\$103,583	50.0%	\$25,295		
Income	Threshold 5				\$131,279	0.0%	\$29,386		
Income	Threshold 6				\$9,999,999,999	50.0%	\$29,386		
Assets	Threshold 0	\$0	0.0%		\$0	0.0%			
Assets	Threshold 1	\$61,500	0.0%	\$0	\$61,500	0.0%	\$0		
Assets	Threshold 2	\$206,039	17.5%	\$0	\$206,039	17.5%	\$0		
Assets	Threshold 3	\$495,118	1.0%	\$25,294	\$238,000	0.0%	\$25,294	\$69.49	
Assets	Threshold 4	\$9,999,999,999	2.0%	\$28,185	\$299,480	7.8%	\$25,294		
Assets	Threshold 5				\$502,981	0.0%	\$30,090	\$82.44	
Assets	Threshold 6				\$9,999,999,999	7.8%	\$30,090		
Supported Threshold		\$69.49			\$69.49				
Hotelling Supplement Contribution		\$0.00			\$12.55				
Daily Cap		\$93.63			\$101.16				
Lifetime Cap		\$82,018.15			\$130,000.00				
MPIR		8%			8%				
RAD Retention Rate		0%			2%				
Accommodation Supplement Indexation (/		2%			2%				
DAP Indexation (Annual)		0%			2%				
Average LOS (Months)		22 Months			22 Months				
<b>NWAU</b>		280.01			280.01				
<b>AN-ACC</b>									
	Class 1	0.8			0.8				
	Class 2	0.19			0.19				
	Class 3	0.37			0.37				
	Class 4	0.25			0.25				
	Class 5	0.44			0.44				
	Class 6	0.4			0.4				
	Class 7	0.55			0.55				
	Class 8	0.64			0.64				
	Class 9	0.52			0.52				
	Class 10	0.7			0.7				
	Class 11	0.66			0.66				
	Class 12	0.66			0.66				
	Class 13	0.8			0.8				
<b>MMM</b>									
	MMM 1	0.5			0.5				
	MMM 2	0.55			0.55				
	MMM 3	0.55			0.55				
	MMM 4	0.57			0.57				
	MMM 5	0.57			0.57				
	MMM 6								
	MMM 7								
BDF		63.57			63.57				
BDF Supplement		12.55			12.55				

