

# Department of Health

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[REDACTED]

The Independent Panel  
Accommodation Pricing Review  
[accompricingreview@health.gov.au](mailto:accompricingreview@health.gov.au)

Dear Mr Ray and Associate Professor Sutton

**Subject: Residential Aged Care Accommodation Pricing Review consultation paper**

Thank you for the opportunity to provide feedback into the Residential Aged Care Accommodation Pricing Review.

The Tasmanian Department of Health response is provided in Attachment 1.

Tasmania remains concerned regarding the additional costs it bears to provide Aged Care services in a small jurisdictions, particularly in rural and remote areas, and looks forward to the outcomes of the review.

Should you require any further information, please contact [REDACTED]

[REDACTED]

Yours sincerely

[REDACTED]

Associate Secretary

14 November 2025

Enclosed: Attachment 1 - Feedback – Aged Care Residential Supplement

### Attachment 1: Tasmania's submission to IHACPA

No	Question	Response
1	Outline how you think the Accommodation Supplement could be reformed to ensure quality accommodation for residents of low means.	See responses below
2	Should the value of the Accommodation Supplement be universal or tiered such as by location or proportion of residents or other basis?	IHACPA should consider a tiering based on location and socio-economic background of residents.
3	Should the Higher Accommodation Supplement be staggered over time, so that as the accommodation facilities age the Residential Aged Care Accommodation Pricing Review Consultation Paper 11 supplement is reduced (with the full value payable again after a new renovation)?	Tasmania believes this approach brings significant risk. While this would provide better facilities, this comes at a cost and may potentially drive up the overall cost of care. Quality of the facility should be an accreditation issue not a funding issue.
4	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?	See comments at question 2 above regarding tiering for socio-economic background of residents.
5	How can the Accommodation Supplement be reformed to support an uplift in the quality of accommodation?	Tasmania believes there is significant risk in linking quality and funding. Providing lower funding to facilities with lower quality accommodation will prevent those facilities from improving. Quality should be managed through processes outside of funding.
6	Outline how the Accommodation Supplement pricing impacts on incentives for capital investment in residential aged care.	Tasmania has no comment at this time.
7	In what ways could the Accommodation Supplement be reformed to better incentivise	The Accommodation Supplement should be set at a level that enables the upkeep of capital

	capital investment in residential aged care?	and incentivises new capital investment for expansion in line with population demand.
8	To what extent are the current rates of the Accommodation Supplement sufficient to cover providers' capital and operational costs relating to accommodation?	Tasmania believe that the current rates are insufficient. Commonwealth funding for state run facilities only appears to be covering approximately 1/3 of the cost for Aged Care beds. Tasmania does not currently have details of how much of this short fall relates to the accommodation supplement.
9	How does the costs of providing accommodation vary across different operating environments, such as differences in location?	Tasmania is challenged by the economies of scale in low population areas. Services often need to be collocated with hospital services to be viable which creates additional expense to the State.
10	What factors should be considered in setting an equivalence mechanism and rationale for each?	Tasmania has no comment at this time.
11	What is an appropriate rate of return on lump sum for providers? Is this an appropriate level for setting an MPIR?	Tasmania believe that the RAC should not vary based on the rate at the date a person enters Aged Care. Tasmania suggests that the Commonwealth explore utilisation of an investment fund to balance out market peaks and troughs to provide a consistent rate of return.
12	How does this change with economic conditions? Does the MPIR link to the General Interest Charge represent an appropriate way of adjusting equivalence in line with economic conditions?	Tasmania has no comment at this time.
13	Would a Weighted Average Cost of Capital be an appropriate equivalence mechanism? If so, how should this be derived?	Tasmania has no comment at this time.
14	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?	Tasmania has no comment at this time.
15	Should the government introduce a mandated minimum accommodation payment that prevents providers receiving less revenue from non-supported	Tasmania believes that the amount a facility receives should be consistent. Only the proportion of Commonwealth/resident funding should change based on a resident's capacity to pay.

	residents than they do from supported residents?	
16	What are the advantages and disadvantages of moving the MPIR-related fluctuations in pricing from the DAP to the RAD?	By moving the DAP to the RAD there is a potential that this could cause major fluctuations in the RAD based on market conditions at a point in time. As mentioned at question 11, the Commonwealth should investigate using an investment fund to balance returns over time and smooth out payments to facilities.
17	Would setting DAPs as the default make accommodation pricing easier to understand for prospective residents and their families?	Yes. Aged care funding is very complex and difficult for consumers to navigate.
18	Are there other relevant factors to consider in relation to setting the DAP as the default payment type?	Tasmania has no comment at this time.
19	Do you think the DAP should be set as the default payment type? Why?	Tasmania believe that this would be a positive step in regard to aged care funding. This should make it easier to provide a consistent income source to facilities by having a fixed total DAP made up of a combination of the Commonwealth payment and the residents contribution based on capacity to pay.