



**Residential Aged Care
Accommodation Pricing Review
Submission**

1. About For Purpose Aged Care Australia

For Purpose Aged Care Australia (FPACA) is a national, not-for-profit aged care organisation committed to delivering high-quality, community-integrated residential aged care across Australia. FPACA operates within the *For Purpose* group, an Australian-owned social impact investment platform that reinvests returns into improving care outcomes, infrastructure, and community wellbeing.

Scale and Growth

FPACA is one of the largest and fastest-growing aged care providers in Australia, currently operating over 2,000 residential aged care beds across 15 homes nationally.

In 2025, FPACA has emerged as one of Australia's leading builders of new aged care capacity, responsible for over 50% of all new aged care beds constructed nationwide. Over the past year we opened over 400 of the 800 new beds opened nationally.

This scale of development represents the largest single-year expansions of new aged care accommodation by any provider in the country. It demonstrates FPACA's capacity to mobilise capital, navigate complex regulatory environments, and deliver high-quality facilities that meet modern care and design standards.

Mission and Operating Model

FPACA's mission is to build caring communities that enable older Australians to live with dignity, safety, and purpose. Each FPACA home operates under a local community brand — such as *Wagga Community Aged Care* or *Tamworth Community Aged Care* — to strengthen resident belonging and regional connection.

As a social impact organisation, FPACA reinvests surpluses into improving resident care, workforce capability, and facility renewal. The organisation applies a long-term capital replacement and sustainability framework, ensuring every site remains contemporary, efficient, and fit for purpose.

Commitment to Supported Residents

FPACA maintains a high proportion of supported residents, particularly in regional and outer-metropolitan homes, where supported residents typically account for 40–50% of total occupancy. This reflects FPACA's mission-driven commitment to equity of access, even where funding settings create structural financial disadvantages for facilities serving a higher proportion of low-means residents.

Capital Development Expertise

FPACA is recognised for its expertise in delivering modern, efficient aged care developments that align with the *National Aged Care Design Principles and Guidelines (2024)*. The organisation has this year built and opened:

- Warragul Community Aged Care (Regional Victoria) 144 beds opened March 2025
- Romsey Community Aged Care (Regional Victoria) 125 beds opened in March 2025
- Mandurah Community Aged Care (Regional Western Australia) 144 beds opened in May 2025
- Grafton Community Aged Care (Regional NSW) 144 beds scheduled to open December 2025

We also have a number of upcoming and committed projects at Rowville (Vic), Wallan (Vic), South Bunbury (WA) and Nerang (QLD) and we are actively looking to add more to this pipeline.

Our designs incorporate:

- dementia-friendly layouts
- sustainability features including solar and energy-efficient systems;
- high-quality finishes and community-integrated amenities; and
- construction and operational efficiency designed for long-term sustainability.

Each new development, however, highlights the growing gap between actual build and financing costs and the current Accommodation Supplement. Without reform, the sector will struggle to sustain this level of investment, despite demonstrated demand and planning approvals.

Sector Leadership and Advocacy

FPACA actively contributes to national aged care reform through consultations, policy submissions, and sector collaboration with the Department of Health, IHACPA, and StewartBrown. As a leading developer and operator, FPACA is uniquely positioned to provide evidence-based insights into the real cost of building and operating contemporary residential aged care accommodation.

2. Context and Policy Environment

2.1 The Changing Economics of Residential Aged Care

Australia's aged care sector is undergoing its most significant structural reform in a generation. The introduction of IHACPA's cost-based AN-ACC funding model and the Aged Care Act 2024 have brought greater transparency to care pricing but have also shifted the economic balance within residential aged care.

Under the new model, care revenue is capped at the assessed cost of care, without provision for provider margin or cross-subsidy. Historically, modest surpluses from care funding helped offset deficits in accommodation and everyday-living services. As these surpluses disappear, accommodation revenue has become the primary determinant of sector sustainability.

For most providers, this change coincides with rapid cost escalation:

- Wage and superannuation increases of 6–7 per cent in FY26.
- Construction cost inflation exceeding 6-8 per cent annually and forecast to rise at least 5.5% pa for the rest of this decade.
- Insurance, utilities and maintenance cost pressures above CPI.

The combined effect is a narrowing of operating margins, declining investment appetite, and a sector-wide slowdown in redevelopment activity.

2.2 Government Objectives and the Current Review

The Commonwealth's Residential Aged Care Accommodation Pricing Review (September 2025) recognises these pressures. Its Terms of Reference explicitly commit to examining whether current accommodation pricing:

- ensures equitable access for low-means residents;
- supports providers to invest in new and refurbished accommodation; and
- fosters a sector capable of innovation and long-term capital renewal.

The Review follows several important policy shifts announced through the Aged Care Taskforce 2023 and subsequent reforms, including:

- Increasing the maximum approved Refundable Accommodation Deposit (RAD) to \$750,000 from 1 January 2025 (indexed annually).
- Introducing 2 per cent p.a. RAD retention (capped at five years) and biannual DAP indexation from 1 November 2025.

- Commitment to review the Accommodation Supplement and its adequacy relative to capital and operational costs.

These measures signal an emerging acknowledgement that accommodation funding reform is critical to long-term sector sustainability. However, they also highlight that policy settings remain incomplete until supplement rates and pricing mechanisms are recalibrated to meet the true cost of construction and renewal.

2.3 Evidence of Structural Under-Funding

StewartBrown's *Discussion Paper on Residential Aged Care Pricing*¹ (September 2025) demonstrates that:

- Total accommodation income across the sector averages \$51.45 per resident per day, compared with average expenses of \$59.88 per day.
- Even after the 2025 hotelling supplement increase, the sector faces a deficit of \$1.7 per resident per day on hotel and accommodation operations.
- Direct-care surpluses—once used to cross-subsidise capital costs—are declining sharply, leaving most providers unable to fund meaningful refurbishment or expansion.

In this environment, the Accommodation Supplement is one of the few remaining levers that can sustain capital investment and maintain quality infrastructure for low-means residents.

2.4 Implications for FPACA and the Sector

The True Cost of Building a Contemporary Aged Care Home in Australia

Building a modern, dementia-friendly residential aged care home in Australia now requires an investment of approximately \$62 million for a standard 144-bed facility, excluding land and financing costs. This equates to \$432,000 per bed, based on real construction outcomes achieved by For Purpose Aged Care Australia (FPACA) in 2024–25.

This cost reflects the true requirements of delivering homes that meet the National Aged Care Design Principles and Guidelines (2024), including dementia-supportive layouts, high-quality finishes, sustainability features, and modern safety and clinical systems. FPACA's detailed build-cost analysis shows:

- **\$360,000 per bed** in direct construction and fit-out costs, including building works, engineering, architectural design, road and footpath upgrades, nurse call and radar systems, advanced technology, commercial kitchens, landscaping, and safety infrastructure.

¹ [StewartBrown Discussion Paper Residential Aged Care Pricing](#)

- **\$62 million+** total project cost once land, statutory charges, four-year development timelines, and financing are included.

Operating assumptions compound the challenge. Even with strong operational performance—FPACA delivers approximately \$30,000 EBITDA per bed at steady state—the current funding model results in a payback period of nearly 20 years for investors. This far exceeds the investment horizon of superannuation funds, banks, and institutional capital.

Taken together, these figures demonstrate that the cost of delivering one new aged care home today is fundamentally misaligned with the existing Accommodation Supplement and the broader residential aged care funding framework. Without recalibrating the supplement and enabling direct capital incentives, most providers will be unable to continue building, instead providers will continue to acquire existing stock rather than invest in building the modern, high-quality facilities that Australia urgently needs.

2.5 Emerging Risk to National Supply

Without reform, the current policy settings will lead to a rapid contraction in new development activity:

- Lenders and investors are increasingly reluctant to fund aged care construction due to weak cashflow projections.
- Sector data already shows a decline in new building commencements compared to the post-Royal Commission recovery period.
- Rising construction costs, inflation, and regulatory requirements (fire, design, dementia-friendly guidelines) have widened the gap between cost and funding.

FPACA's own pipeline demonstrates this risk: without accommodation funding uplift, at least two of its three planned developments beyond 2026 will be commercially unviable.

This is not a single-provider issue—it represents a national risk to future aged care capacity, particularly for low-means and regional residents.

2.6 Why Reform is Urgent

The demographic and financial trajectories are clear:

- Australia will require at least 40,000 new aged care beds by 2030.
- The current capital pipeline is insufficient to meet even half that demand.
- Without targeted funding reform, providers will delay or cancel projects, and the next wave of facility closures will further reduce access in key regional markets.

Reform of the Accommodation Supplement is therefore not just a financial necessity—it is a social infrastructure imperative. It underpins equitable access, housing security for older Australians, and the viability of not-for-profit providers who serve the highest-need communities.

2.9 Opportunity for Structural Reform

The Accommodation Pricing Review represents the opportunity to reset the sector’s long-term capital framework. By aligning the Accommodation Supplement and related pricing mechanisms with real costs, the Government can:

- restore investor and lender confidence;
- enable continued development of modern, dementia-friendly homes;
- ensure equitable access for supported residents; and
- underpin the viability of not-for-profit and regional providers.
- Meet the explosion in demand for aged care and mitigate the impact on hospitals

FPACA’s submission therefore focuses on the specific policy changes required to achieve this alignment, supported by financial modelling and a case study illustrating the real cost of building a new home in 2025–26.

2.10 A System-Wide Issue: The Hospital Bottleneck

The funding gap is no longer an aged care problem alone—it is a health system problem.

More than 2,500 older patients nationwide are medically cleared for discharge from hospitals but remain in acute beds awaiting aged care placement, costing taxpayers in NSW alone over \$1.2 million every day². In New South Wales, discharge delays have risen by more than 60% in the past year, worsening emergency department congestion, ambulance ramping, and elective surgery backlogs.

The most efficient way to relieve this pressure is to increase aged care bed supply—yet under current pricing, most new builds are financially unviable for providers.

2.11 FPACA’s Position

FPACA supports the Commonwealth’s goal of ensuring high-quality, equitable accommodation but stresses that the Accommodation Supplement and related pricing mechanisms must be modernised to reflect:

- The true cost of contemporary construction and refurbishment;
- The loss of cross-subsidy from care margins under AN-ACC; and

² [Sydney Morning Herald, “The Sydney emergency departments where one in 10 patients wait 19 hours”, 10/9/25](#)

- The increased expectations for design, quality, and sustainability following the Royal Commission and new Design Guidelines.

3. FPACA Case Study – The Real Cost of Building a New Home

3.1 Context

Only 802 beds were added to the residential aged care system in 2024-25, when 10,600 new beds per year will be needed over the next decade³. This points to a future in which the aged care system will not be able to cope with Australia’s ageing population – older people will be left without sufficient care options, with flow on implications to other elements of the healthcare system (e.g., the 2,500 hospital beds currently being taken up by patients waiting for aged care beds⁴).

There is therefore a need for policy settings to be revisited to incentivise aged care providers to invest in new facilities, and we welcome the opportunity to present our submission to the Review.

3.2 Background to our submission

For Purpose Aged Care Australia (FPACA) contributed over half of all new beds to the system (452 beds out of the total of 802). As such, we have unique experience in evaluating the economic feasibility of new builds, and believe we can provide helpful modelling to the Review to inform policy decisions.

Further, as a registered not-for-profit provider, we are committed to providing quality care to all cohorts, including those in typically underserved regional and remote areas. The modelling we submit therefore incorporates the economics associated with such areas.

Finally, we understand the returns superannuation funds require in order to invest in the sector, given that we have raised \$110m from Australian Retirement Trust and Australian Ethical to date. This is directly aligned to the Minister’s goal of attracting superannuation fund investment in the sector⁵.

3.3 Summary of our submission

Our modelling outlines the economics that drive the investment decision to develop a new home, from land acquisition and construction through to steady-state operations. This is based on our real-world experience in developing 452 beds in FY25, and uses assumptions taken directly from our actual costs in development, financing and ramp-up of new homes.

³ [The Weekly Source, October 2025](#)

⁴ [ABC News, September 2025](#)

⁵ [The Australian, October 2025](#)

Under current settings, there is a 20-year payback period before returns are sufficient to pay back invested capital – this is beyond the appetite of most investors, and is a significant driver of the aged care bed shortage. There is therefore a need to improve the economics of new developments.

We propose various ways to address this issue in our conclusion below and would welcome the chance to discuss and workshop our findings and potential solutions.

3.4 Methodology and key assumptions

We have taken our key assumptions from our real-world experience.

Development assumptions:

- Land acquisition costs in line with recent land valuations we have received
- Four-year timeline from land acquisition to facility opening, to account for development process and construction requirements
- \$360k per bed construction costs (excluding land), noting that this is based on our favoured relationship with our preferred builder, and based on unconstrained sites in regional areas with good land availability. For many other providers, this figure is likely to be higher. See detailed breakdown of construction costs below:

Description	Cost per bed, A\$
Building Costs	227,000
Basement Works + Carparking	27,000
Chattels	20,000
Site Supervision, Procurement, Accounting OHS & Project Management	15,000
Application Fees, Council Fees & Rates + Infrastructure Charges	12,000
Earthworks, Retaining Walls & Civils	12,000
Engineering Design for Building Permit	7,000
External Road & Footpath Upgrades	6,000
IT Equipment	5,000
Architectural & Consultant Services	5,000
Landscaping Works	5,000
Commercial Kitchens & Laundry	5,000
Advanced Care Nurse Call System	4,000
Council Live Asbestos Sewer Main Replacement	3,000
Access Control & CCTV System	3,000
Advanced Care Radar System	2,000
Power Transformer Supply	2,000
Total (excl. land and financing costs)	360,000

Overall, for a 144-bed home, this leads to total development costs (excluding financing) of \$62m (**\$432k/bed**).

Operating assumptions

- Steady-state EBITDA of \$30k per bed, based on bottom-up modelling using inputs from our portfolio of 1,990 beds. This is significantly above the first quartile average of \$22k per bed reported by Stewart Brown⁶ and reflects efficiencies of our operation of larger homes
- Ramp-up to full occupancy over twelve months, which we believe is faster than the industry norm of one hundred beds every twelve months. We assume a ramp-up cost profile in line with that of homes we have opened in FY25
- Average RADs, supported ratio, and the overall resident mix are modelled in line with our existing homes
- Benefits of a not-for-profit structure including payroll and corporate tax exemption

Financing assumptions

- We assume a capital structure in line with our existing portfolio, consisting of construction debt (at 7.0% p.a.), an ongoing senior debt facility (at 6.5% p.a.) and investor (e.g., superannuation fund) capital (seeking a 14% return). This is a fairly conservative investor requirement, with private equity funds requiring returns in the ~20-30% range

3.5 Results

Under our base case assumptions, investors need to wait 19.8 years before they can achieve their returns – this is longer and riskier than most investors are seeking, with most looking for a <10-year payback period.

The sensitivity below shows how this payback period changes with the accommodation supplements, and we also present a sensitivity to average RADs as additional information. Even at higher Accommodation Supplement amounts, it is difficult to achieve sufficient economics to attract private capital to the sector – for example, even increasing the supplement by \$50 POBD results in a payback period of 16.8 years.

		Years until investment can be fully repaid					
		Fully Supported Accommodation Supplement, A\$ POBD					
		70.94	80.94	90.94	100.94	110.94	120.94
Average RAD, A\$	19.8	12.0	11.7	11.4	11.2	10.9	10.7
	\$666k	14.0	13.6	13.2	12.8	12.5	12.2
	\$591k	16.5	15.9	15.4	15.0	14.6	14.2
	\$516k	19.8	19.1	18.4	17.8	17.2	16.8
	\$441k	24.4	23.3	22.3	21.2	20.1	19.2

This second sensitivity outlines the reality facing the sector – if care costs continue to rise faster than AN-ACC increases, then homes may become financially unsustainable and unable to pay back investors at all. It is therefore critical to the sector’s sustainability to ensure that appropriate compensation is in place for the provision of care.

⁶ [Stewart Brown, July 2025](#)

		Years until investment can be fully repaid					
		Care cost inflation rate					
		4.0%	3.8%	3.6%	3.4%	3.2%	3.0%
AN-ACC indexation rate, % p.a.	19.8	N/A	26.6	21.3	19.2	17.9	16.9
	3.0%	N/A	N/A	27.4	21.8	19.6	18.2
	2.8%	N/A	N/A	N/A	28.2	22.1	19.8
	2.6%	N/A	N/A	N/A	N/A	28.8	22.4
	2.4%	N/A	N/A	N/A	N/A	N/A	29.6
	2.2%	N/A	N/A	N/A	N/A	N/A	

These results have been modelled based on FPACA’s portfolio, which has a track record of significantly stronger performance than even the top-performing quartile in the industry. It is therefore likely that other providers are facing even more significant economic pressures, disincentivising investment across the system.

Conclusion and recommendations

Our analysis shows that policy change is required to incentivise the development of new beds and attract the required capital to the sector, and increasing the Accommodation Supplement alone will not be sufficient. We therefore recommend two potential solutions:

1. Allowing for a reasonable return on investment or margin on care provision in IHACPA pricing decisions would improve sector sustainability. Care is currently over two-thirds of the costs facing the sector, and therefore if providers are unable to make a margin on care they are at risk of being unable to invest in new services.
2. Introducing **direct funding for new developments**, for example a subsidy for the first five years of each home’s operations. This would support them through the early years, often as homes struggle to ramp up and are working towards efficient operations. There is precedent for introducing similar subsidies in other sectors, for example:
 - a. Housing Australia Future Fund supplementing the provision of social and affordable housing for Community Housing Providers through a combination of a long term contracted availability payment, concessional debt and first loss equity;
 - b. National Disability Insurance Scheme providing payments for providers of capital for Specialist Disability Accommodation that recognises a reasonable return on investment of 8.75%;
 - c. First Home Owner Grants to help eligible first-time buyers purchase or build a new home.

We are grateful for the opportunity to make a submission to the Review and we would welcome any opportunity to discuss our findings and recommendation in more detail.

Social Impact Investing as a Capital Solution for Residential Aged Care

As the modelling above demonstrates, reforms to the Accommodation Supplement alone will not close the economic gap for new developments. Additional capital solutions are required. One of the most promising is Social Impact Investing, which has already demonstrated strong results in aged care through *For Purpose Investment Partners* (FPIP) who is the Member for *For Purpose Aged Care Australia* (FPACA).

The Case for a Social Impact Investment Framework

Australia's aged care sector is facing an unprecedented capital deficit.

Without recalibrated accommodation funding, traditional lenders and operators will continue to withdraw from major development activity. To avoid a nationwide undersupply crisis, new sources of capital—particularly superannuation funds and long-duration institutional investors—must be unlocked.

Australia has the conditions to do this now. The Commonwealth Social Impact Investing Taskforce⁷ concluded that the Australian market has capacity to scale to 10 times its current size with appropriate enabling policy—for a total potential pool of more than \$20–30 billion of impact-aligned capital across social infrastructure.

Aged care accommodation is a natural fit for this capital.

Why Aged Care Is a Prime Target for Social Impact Capital

1. Strong alignment between investment horizons and aged-care infrastructure

Aged care developments represent long-lived social infrastructure with:

- stable occupancy
- predictable revenue streams
- direct measurable social outcomes
- low correlation with broader economic cycles

This profile is strongly aligned with the risk/return preferences of major superannuation funds.

⁷ [Commonwealth Impact Investing Taskforce 2022](#)

The Taskforce explicitly recommended clarifying the Sole Purpose Test to reinforce that superannuation funds *can* invest in social impact assets where competitive returns are achieved.

For Purpose Investment Partners' (FPIP) experience shows this is not theoretical—superannuation funds *are already investing in aged care at scale*.

2. Proven investor appetite and performance: the FPIP/FPACA example

Through FPIP, Australian Retirement Trust and Australian Ethical have already committed over \$110 million into FPACA's platform. FPIP reports:

- **Institutional-grade returns** from long-duration aged-care assets
- **Rapid uplift in quality**, including a 24% increase in clinical outcomes and a jump in quality-of-life ratings to exceed national industry benchmarks within 12 months
- **Strong governance**, impact measurement, and transparent reporting independently validated by BlueMark's global standards assessment

FPIP's model demonstrates that ethical investment capital transforms essential services while delivering predictable financial returns. This is precisely the system the Commonwealth aims to encourage—one where purpose and profit reinforce each other, enabling sustained capital injection without compromising quality.

3. Social Impact Investing aligns with government goals to attract new capital

The Taskforce recommended establishing:

(a) A Social Impact Investing Wholesaler ("Social Capital Australia")

A national aggregator partnering with institutional investors to create investable social-infrastructure pipelines—including aged-care facilities.

This would allow the Commonwealth to leverage private capital 2:1, based on UK experience where every government dollar attracted two private-sector dollars.

(b) Outcomes-based funding mechanisms

The Commonwealth Outcomes Fund would make payments tied to measurable outcomes—e.g., increased accommodation access for supported residents—which derisks investment and attracts capital to underserved regions.

FPACA's own impact framework, as evidenced in FPIP's reporting (Impact Report 2025 – Purposeful Performance⁸), provides a ready-made measurement architecture for outcomes-based contract design.

4. Social Impact Investing provides national productivity and health-system benefits

A shortage of aged-care beds creates downstream congestion in hospitals. FPACA highlights that 2,500 people occupy acute hospital beds awaiting aged-care placement, costing more than \$1.2 million per day in NSW alone.

Scaling aged care supply through private capital reduces:

- emergency department pressure
- ambulance ramping
- elective surgery delays
- hospital length of stay

The Commonwealth therefore achieves both social and fiscal returns by enabling a high-volume capital pathway into the sector.

Conclusion: Aged care can become the flagship for Australia's Social Impact Investment market

The Commonwealth seeks to:

- stimulate new capital flows
- improve access and equity
- increase accommodation supply
- bring super fund investment into aged care

Social Impact Investing—proven by FPIP and endorsed by the Taskforce—provides the mechanism to achieve all four.

FPACA urges the Review to recommend a dedicated national strategy to mobilise large-scale social impact investment into residential aged care. Without this, supply will continue to decline; with it, the Commonwealth can unlock billions in new capital and solve one of the most pressing social infrastructure challenges of the decade.

⁸ [Impact Report 2025 – Purposeful Performance](#)

Consultation Questions

Accommodation Supplement

1) How should the Accommodation Supplement be reformed to ensure quality accommodation for residents of low means?

- **Lift the maximum HAS** to reflect contemporary build, depreciation, and financing costs. Especially for newly built homes i.e. new beds added to the market that meet the design standards.
- **Remove the 40% “cliff”** (see Q4) so providers that care for more low-means residents aren't penalised.

2) Universal or tiered value (by location/proportion of residents/other basis)?

- **Tiered.** Costs vary materially across metro, regional and rural builds; the Review already recognises that the supplement depends on status (HAS/legacy) *and* supported-resident proportion.
- Recommend a graded approach to the supported resident accommodation supplement and remove the 40% “cliff”.
- Anecdotally providers slightly below 40% will hold beds empty waiting for a supported resident – this is a perverse outcome that harms communities.

3) Should the Higher Accommodation Supplement (HAS) be staggered over time (reduced as facilities age, restored after renovation)?

- **For refurbished legacy facilities:** a time-limited HAS can be reasonable if aligned to asset life and paired with re-certification after major upgrades.
- **For new builds:** avoid automatic step-downs within the building's effective life; certainty is needed to service debt and sustain investment (HAS was created to encourage capacity and quality).
- It is worth noting that new homes will make losses on accommodation, care and everyday living over the first few years of operations. A higher supplement payment temporarily over these first few years would ensure new builds are more attractive, support more viable business cases for Board and banks.

4) How suitable is the current incentive (40% supported threshold)? How to preserve/enhance incentives?

- The **single 40% threshold creates a cliff** that can penalise services with high supported cohorts; rates step down materially either side of this threshold.
- Replace with a graded approach.

6) How Supplement pricing impacts incentives for capital investment

- The Supplement is the primary cashflow lever for supported residents. When base rates lag costs, lenders see weaker debt service capacity, slowing or halting new builds.
- Sector data in the Consultation Paper shows accommodation income averages \$51.45/day vs. expenses \$59.88/day—under the current maximum \$69.79/day—highlighting under-recovery even before capital replacement.
- HAS was designed to encourage capacity and improve amenity; a predictable, adequate Supplement restores investor confidence.

7) How to better incentivise capital investment via the Supplement

- **Increase the maximum** and consider high rates for new builds
- **Tier rates** by location and replace the 40% cliff with graduated bands.

8) Are current rates sufficient to cover capital & operational accommodation costs?

- **No.** The Review cites \$51.45/day income vs. \$59.88/day expenses (incl. admin), both below the current maximum \$69.79—evidence of structural under-recovery across the sector.
- This gap explains why building commencements have declined despite high HAS uptake.

9) How costs vary across operating environments (location differences)

- **Metro/high-cost** areas: higher land prices, lower labour cost, potentially construction costs if developing with less land in higher density areas, higher RADs.
- **Regional/rural**: often lower land prices but higher build/logistics costs, thinner contractor markets, and elevated operating costs (e.g., agency labour, utilities), lower RADs,

Summary of Submission

Theme / Issue	Problem Identified	FPACA Recommendation	Intended Outcome
Cost of Building a New Home	A modern 144-bed aged care home in a regional area costs \$62 million to develop (approx. \$432,000 per bed, excluding land and financing). Long timelines, inflation, and design compliance push total development costs far above current funding settings. Even high-performing homes face a 20-year investment payback, beyond the appetite of most lenders and super funds.	The Government must recalibrate accommodation funding to reflect actual construction and financing costs, including uplifted supplement rates, early-years support for new homes, and capital incentives to attract private and superannuation fund investment.	Aligning funding with real costs restores investor confidence, unlocks private capital, and ensures that new high-quality, dementia-friendly homes continue to be built across Australia.
Accommodation Supplement adequacy	Current supplement levels don't reflect actual build and operating costs (avg. \$51.45 income vs \$59.88 cost per resident/day).	Substantially lift the maximum Higher Accommodation Supplement (HAS) to reflect true contemporary build, depreciation, and financing costs; biannually index to inflation.	Restores economic viability for new builds and refurbishments; sustains sector investment.
Supported Resident Cliff	The current 40% supported resident threshold creates a funding "cliff" that discourages access for low-means residents.	Replace with a graded supplement scale based on supported resident proportion and location (metro/regional/rural).	Encourages inclusion of supported residents and prevents perverse occupancy incentives.
Operating Losses for new homes	New homes incur early-year losses and struggle to ramp up.	Introduce a temporary higher supplement for first 3–5 years of operation to support viability during ramp-up.	Improves business case attractiveness for new developments and lender confidence.
Care Funding model imbalance	AN-ACC caps care revenue at cost with no margin.	Allow reasonable margin on care provision in IHACPA pricing decisions.	Ensures providers can sustainably fund capital renewal and service expansion.
Social Impact Investing	Traditional lending and equity markets are retreating; new capital sources are needed.	Develop a National Social Impact Investment Framework for Aged Care to attract institutional and super fund investment.	Unlocks \$20–30B in private capital for aged care infrastructure; aligns with government's social impact goals.
Regional and rural disadvantage	Regional projects are lower in costs for development but face higher operating costs, lower RADs and thinner markets.	Tier supplement rates by geographic location to reflect real cost differentials.	Ensures regional access to quality aged care infrastructure.
Health system impact	Hospital bed blockages (2,500 patients awaiting aged care, costing NSW \$1.2M/day).	Frame aged care investment as health system infrastructure; reform funding to accelerate new bed supply.	Reduces hospital congestion and improves system-wide efficiency.
Sector and health system sustainability	Only 802 new beds added in 2024–25; 10,000+ needed annually.	Implement reforms urgently to restore confidence and stimulate construction of new capacity.	Prevents aged care bed shortage crisis by 2030.

