



# **Residential Aged Care Accommodation Pricing Review**

**November 2025**



## About HammondCare

HammondCare is a not-for-profit aged care provider specialising in dementia, residential, home, and palliative care. We also deliver mental health and homelessness supports for older people. Since 1932 we have been **committed to serving people with complex health or aged care needs, regardless of their circumstances**. In 2025 we provided care and support for:

- > 2,826 people in 15 residential care homes across 13 sites in South Australia, Victoria and New South Wales
- > 24,228 people accessing specialist care through the Dementia Support Australia
- > 10,402 people living in their own home through 875,393 visits
- > 7,008 people requiring health and palliative care in hospitals, home and community.

HammondCare's services are delivered by 5,968 dedicated staff and 850 committed volunteers across 91 locations. Through our relationship-focused approach and embedded philosophy of care, HammondCare teams are **motivated by mission**; we strongly believe in the intrinsic value of every person that we care for.

## HammondCare response

### Accommodation Supplement for low-means residents

**The supplement rate** is well below the real-world costs of accommodation, even at the highest eligibility rate of \$70.94, which compares more closely to the interest rate return of a Refundable Accommodation Deposit of \$320,000.

While it is not stated within the terms of reference, we strongly recommend that the government consider uplifting the supplement in the interim. There is a viability risk for the sector if the uplift is deferred until 1 July 2026, given a decision could take a further 6 to 12 months to be implemented.

**Aligning the supplement to the depreciation of new buildings** – HammondCare is supportive of this approach if there is a period of time between when the actual decline in supplement percentage occurs; for example a period of 5 to 10 years with a % decline to occur in supplement payment on the 6<sup>th</sup> or 11<sup>th</sup> years.

**Sliding scale to replace the 40% rule** – The 40% rule currently leads to a sharp decline should a provider drop down to 39% in supported residents. While the 40% should stay to encourage providers to take in supported residents, it would be more appropriate to introduce a sliding scale model which would see the rate decline gradually under 40% as opposed to a the current sharp 'cliff' – see [Appendix A](#).

**National Aged Care Design Principles and Guidelines** – The design principles should play a role in how the supplement is paid at its highest tier, as these principles align to best practice dementia-friendly design. It is important to highlight the following:

- > The Aged Care Royal Commission recommended residential aged care design be improved through adherence to a set of national aged care design principles and guidelines (recommendation 45) It is currently estimated that 54% of people living in residential aged care have a dementia diagnosis<sup>1</sup>
- > Prevalence of dementia is expected to double within the next 30 years.

### HammondCare recommends

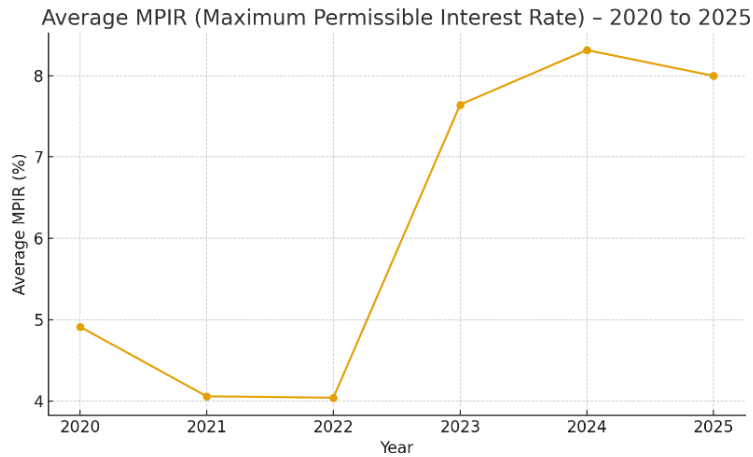
1. Adjusting the supplement rate in the interim period between January 2025 and the government's response to this report. **This rate should be aligned to the average RAD price**, and should also account for geographic location (MMM) to ensure providers outside of metro areas are not disadvantaged
2. Having a depreciation scale attached to new builds to encourage refurbishments whilst not compromising viability. This should include:
  - > 5 to 10 year grace period where the supplement rate does not change

<sup>1</sup> Australian Institute of Health and Welfare (2024) Dementia in Australia, Australian Government

- > Small incremental decreases in supplement percentage (e.g. 2%) to avoid sudden revenue issues
- 3. Modify the 40% rule with a sliding scale model
- 4. For the highest supplement rate, new builds and refurbishments should align to the **National Aged Care Design Principles and Guidelines**.

### Maximum Permissible Interest Rate (MPIR)

The consultation paper acknowledges that the MPIR is not fit for purpose in its current form as it does not account for the actual cost for new builds and refurbishments<sup>2</sup>:



A solution to this could be to link the MPIR to a **Weighted Average Cost of Capital (WACC)**, ensuring it more accurately reflects the real cost of construction, which has averaged above 8% over the last few years.

#### HammondCare recommends

5. Linking the MPIR with a WACC, with the following framework:
  - > Annual capture of WACC for providers sector-wide
  - > Ensuring there is a floor (e.g. 8%) to avoid the unrealistically low percentage rates of the past
  - > The rate should be based on the high end of the WACC - not an average, to reflect high quality standards.

### Daily Accommodation Payments (DAP) – as a default

**The Aged Care Taskforce final report** indicates the reason to avoid moving away from RADs is due to there being no real alternative for the sector to raise capital. This is critical to build the much-needed bed numbers and meet future demand, which the Department estimates to be 10,000 beds per year for the next decade<sup>3</sup>.

Currently RADs enable providers to use funds to contribute to capital expenditure. However, providers still require finance which currently attracts an average interest rate between 6 to 8%, noting these rates tend to be lower when weighed against the RAD component, providing the banking sector confidence in lending.

While the government does need to set aside budget measures for the RAD legislative *Commonwealth guarantee*, there is no real cost to the government (outside of the Aged Care Capital Assistance Program). If RADs were to decrease or cease to exist this would mean the government would need to invest more heavily into private capital expenditure.

#### HammondCare recommends

6. Leaving RADs as the preferred method to raise capital and not removing consumer choice by shifting markets to 'force' consumers to pay a DAP instead.

<sup>2</sup> Australian Government Department of Health and Aged Care, *Base interest rate (BIR) and Maximum Permissible Interest Rate (MPIR) for residential aged care*, various quarterly updates (2020–2025)

<sup>3</sup> Department of Health and Aged Care, "Senate Estimates hearing — Community Affairs, 9 October 2025", in which the Department states the sector requires approximately "10,600 new aged-care beds per year over the next decade"



## Appendix A – Sliding scale modelling compared to the current 40% rule

The below sliding scale models the 40% rule with a 5% drop each time, rather than the current model which does not have an effective sliding scale:

Supported-Resident % Range	Proportion of High Rate Paid	Proposed Supplement / Day	Current System (Base Rate)	\$ Difference vs Current Rule
≥ 40%	100%	\$66.94	\$66.94	\$0.00
35–39%	80%	\$61.55	\$41.16	+\$20.39
30–34%	60%	\$56.17	\$41.16	+\$15.01
25–29%	40%	\$50.78	\$41.16	+\$9.62
20–24%	20%	\$45.38	\$41.16	+\$4.22
< 20%	0% (Base Rate)	\$41.16	\$41.16	\$0.00

Accommodation Supplement Comparison: Current Rule vs Sliding Scale

