

OPAN Submission

Residential Aged Care Accommodation Pricing
Review

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About OPAN

The Older Persons Advocacy Network (OPAN) is the national peak body for individual aged care advocacy support. OPAN contains a network comprised of nine state and territory organisations that have been successfully delivering advocacy, information and education services to older people across Australia for over 30 years. Our members are:

ACT	ACT Disability, Aged and Carer Advocacy Services	SA	Aged Rights Advocacy Service (ARAS)
NSW	Seniors Rights Service (SRS)	TAS	Advocacy Tasmania
NT	Darwin Community Legal Service	VIC	Elder Rights Advocacy (ERA)
NT	CatholicCare NT (Central Australia)	WA	Advocare
QLD	Aged and Disability Advocacy Australia (ADA Australia)		

OPAN receives funding from the Australian Government to deliver the National Aged Care Advocacy Program (NACAP). OPAN aims to provide a national voice for aged care advocacy and promote excellence and national consistency in the delivery of advocacy services under the NACAP.

OPAN's free services support older people and their representatives to understand and address issues related to Commonwealth funded aged care services. We achieve this through the delivery of education, information and individual advocacy support. In 2024-25 OPAN provided 52,206 instances of advocacy and information support, an increase of 18 percent since 2023-24.

OPAN is always on the side of the older person we are supporting. It is an independent body with no membership beyond the nine members. This independence is a key strength both for individual advocacy and for our systemic advocacy.

OPAN works to amplify the voices of older people seeking and using aged care services and to build human rights into all aspects of aged care service delivery. OPAN acknowledges the knowledge, lived experience, wisdom and guidance provided by older people, financial advocates and advocates in preparing this submission.

Introduction

OPAN is aware, through our advocacy work, that providers already prioritise more 'desirable people' and that due to lack of available places people must move outside their community to access residential care. We are also aware of instances of carers selling their home to pay a RAD to secure a residential aged care place for their spouse or partner, due to the lack of availability of supported residential places.

A more competitive market in places like the wealthier suburbs of Sydney will not result in providers facing any financial loss. Providers in these areas can easily refuse the "less desirable" as the "more desirable" will pay much higher accommodation prices and no financial loss will be experienced. This will force older people who are considered 'less desirable' into residential services that are outside their community, but which may be willing to provide services. Further marketisation of residential aged care creates a situation where the result is a stratified two-tier system; those who can afford to pay for their accommodation costs or additional services receive better quality care.

For providers with less financial security, they may be more inclined to save on staffing and other costs, and this may impact their decision to take on clients with more complex needs. We have already seen examples of providers not wanting to take on people with mental health conditions or behaviour associated with dementia that may require additional support.

OPAN is highly concerned about access by low means older people with little or no assets to residential aged care. In areas with few providers and high demand, providers will pick and choose who they will provide services to. This is exacerbated by the current context of many providers being at or near capacity.

OPAN would also emphasise that improving accommodation quality shouldn't come at the cost of excluding residents with low means. Reforms should promote both accessibility and quality simultaneously.

OPAN strongly believes that there is a social compact between the government and older people, in government funded residential aged care, to ensure that low-means older people have the same access to the same high quality care as those that can afford to pay for care.

Human rights

The rights of older people are the same universal rights afforded to all adults. The new Aged Care Act 2024 includes a Statement of Rights and aged care providers have a positive duty to uphold these rights in service delivery. In addition, the aged care system, as a whole, including the system governor, the Department of Health, Disability and Ageing, has a requirement through the Principles of the Act to uphold the rights of

older people. Changes to accommodation pricing must be based in the rights of the older person and ensure that vulnerable and disadvantaged older people have the same equitable access to high quality aged care as every other older person.

Problems with the supplement

There are numerous criticisms of the current accommodation supplement, which highlight:

- “Cherry-picking” the potential for providers prioritising those who can afford to pay higher accommodation payments, resulting in people with low means being overlooked or not accepted into care. Current high occupancy rates exacerbate this issue.
- Financial pressures on providers as the supplement is considered insufficient to cover the costs of delivering care and services to low-means residents, even in a shared room.
- Inadequacy of the supplement to enable providers to upgrade or maintain high quality accommodation for low-means residents.

OPAN notes a recent article quoting Emma Maiden, Uniting NSWACT Director Advocacy & External Relations who said, *“If the government doesn’t increase the supported accommodation supplement, they risk people without means increasingly being deprioritised in favour of residents who can afford to pay more.”* OPAN is particularly concerned about the issue of “cherry-picking” which could potentially worsen with the commencement of the new Aged Care Act, under which wealthier people will contribute more towards their accommodation costs.

This will be exacerbated by shortages in residential aged care availability that were reported by advocates in the 2024-25 financial year across Australia. This included a lack of available places for people with high or complex needs, with many residential providers refusing older people on the basis that they cannot meet those needs.

An older person has spent most of the last 12 months in hospital with only 15 days in total at home. They live with long term mental health issues, incontinence and poor mobility. The older person had agreed to discharge to residential aged care and contacted an advocate with the support of the hospital social worker. They agreed to advocacy to support them with decision-making and choice regarding a residential aged care provider. A team of hospital social workers contacted a total of 21 residential aged care providers in the region and all 21 had declined the older person’s application or enquiry. The reason given was no current vacancy and, it was implied that the older person’s past suicidal ideation and complex care needs were deciding factors.

Responses to questions

1. Outline how you think the Accommodation Supplement could be reformed to ensure quality accommodation for residents of low means.

The government's accommodation supplement for low-means residents (ranging from \$28.67 – \$69.79) is significantly lower than the daily equivalent of the Refundable Accommodation Deposits (RADs) paid by wealthier residents (which can be over \$160 a day for a \$750,000 room).

This financial disparity creates a strong incentive for aged care homes, especially those with high demand, to prioritise residents who can pay a large RAD, effectively "forcing out" low-means older people and creating an inequitable system based on wealth rather than need. There needs to be significant reform to policy and financial drivers to ensure that we do not end up with a two tier aged care system. Every older person deserves high quality care regardless of ability to pay.

This financial gap also makes it difficult for providers to cover their costs for supported residents. While the market price cap for accommodation has been increased (from \$550,000 to over \$750,000), the government's accommodation supplement has not risen proportionally, widening the gap between what the government pays and what providers need to cover costs or what residents with financial means pay.

The Government could:

- Establish a minimum requirement for every provider, regardless of location to provide, say 20 percent of beds to low means residents, with tiered incentives to increase the number of low means residents, up to 60 percent.
- Significantly increase the supplement to align with current costs of delivering care and supports, so that it aligns with the increase in daily payments
- Offer a higher tier with a higher rate. For example, the government could create an 80 percent tier with a significantly higher supplement. This could incentivise providers targeting residents of low means, while still allowing 20 percent of residents with higher means who would likely also be able to make higher contributions.
- Ensure the supplement is indexed in March and September to align with indexation of other payments
- Require greater transparency from providers with clear explanations given for why a disadvantaged older person was refused a placement
- Have stronger protections such as mechanisms for monitoring and reporting the proportion of low-means residents accepted by providers and linking this to the Accommodation Supplement or other incentives.

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

Universal application of the supplement will not account for the differing regional costs of facility conditions and service delivery.

Differences in costs and access across metropolitan, regional, and remote areas must be carefully considered in determining the accommodation supplement. Smaller and/or regional or remote providers may have fewer capital options, yet their communities often have higher proportions of low-means residents. In addition, service delivery in these areas can have a higher cost due to remoteness and limited access to other services.

A tiered approach where the supplement varies based on factors such as geographic location, property age, or the proportion of low means residents could address this. For example, a residential home in a remote area could receive higher supplements to address the unique challenges of being remote.

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

A phased reduction could incentivise ongoing capital investment and maintenance, with full supplement values restored after renovations or upgrades.

This approach encourages providers to continually invest in maintaining and improving their homes. However, if providers must constantly renovate to maintain the supplement amount, it may result in them chasing the higher means market, to the detriment of the lower means market, exacerbating current problems.

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?

Providers are penalised with a 25 percent reduction in the supplement if fewer than 40 percent of their residents are low-means individuals (calculated monthly). This all-or-nothing approach is seen as a blunt instrument that can create significant financial instability for a provider who just misses the ratio, and some argue it is an insufficient incentive to counteract the disparity with private payments.

40 percent is an inadequate incentive. To really shift the availability of places for low means residents we need to create incentives that have providers seeking a much higher percentage of low means residents in the majority of their facilities.

5. How can the Accommodation Supplement be reformed to support an uplift in the quality of accommodation?

The overall quality of accommodation is already considered good. This focus deviates attention from key care factors, which are important to older people. Rather than a focus on facilities that appear to be 'high end', we suggest the focus should be on delivery of quality care, how a resident's rights are upheld and how they can maintain their lifestyle/personal preferences, health and wellbeing and connection to community.

9. How does the costs of providing accommodation vary across different operating environments, such as differences in location?

Costs vary significantly based on location. Urban areas typically have higher staffing wages and property prices. Rural and remote locations might face increased transportation cost, fewer available service options and staffing shortages challenges. All these need to be considered when making decisions on what the supplement should like into the future.

Careful consideration must be given to future-proofing the supplement so that it is adaptable to increasing costs as a result of inflation, older people entering aged care with more complex and chronic conditions and impacts of external events such as climate change.

15. Should the government introduce a mandated minimum accommodation payment that prevents providers receiving less revenue from non-supported residents than they do from supported residents

This would ensure that providers receive adequate revenue regardless of resident support status. However, this may burden residents with higher fees or reduced affordability. Such a policy would need to balance all residents' affordability, market dynamics and provider needs.

It may also be difficult for the Government to maintain this; rather than trying to 'price' lower means residents into facilities in competition with higher means residents, government should be making it more attractive for providers to tap into the lower means resident market as their primary focus through incentives like the 80 percent tier described in Q1. If there is a financial incentive to maintain a higher percentage of low means residents, some providers will find this ideologically and financially attractive. It might also drive providers to focus on the quality of care, rather than having the most attractive buildings and gardens and high-end fixtures and fittings.

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

18. Are there other relevant factors to consider in relation to setting the DAP as the default payment type?

The current accommodation payment system is very complicated to explain to people at a time when they are stressed, grieving the loss of their independence, and having to make decisions that will be impacting on the rest of their life. It would be much simpler to explain if there was just one way of making the payments. People often want advice about which option to choose, and a lot of financial advisors aren't educated in aged care system rules so the advice they give is sometimes questionable.

If DAPs were the default, it may help create a perception shift – currently many people think that you must have large, upfront cash payments to get into the system and are often surprised to hear of DAPs and DACs.

However, RADS are often seen as preferable to family members with the money (less deductions) being returned to the family when the older person dies, rather than money being constantly deducted from any savings the person has.

Careful consideration would have to be given to the impact on people who are renting and have low income or low cash reserves, but not low enough to be considered low-means and eligible for a supplement, where a partner or family member is reliant on these reserves to help to cover rent, food etc.

The Royal Commission into Safety and Quality in Aged Care, Recommendation 142, proposed phasing out the RAD from 1 July 2025. This reflects a trend of older people moving away from paying the RAD and instead paying the Daily Accommodation Payment (DAP) or a combination of both RAD and DAP. However, the Commission recommended that the Federal Government must assist providers in transitioning away from RADs as a source of capital.

OPAN member organisations by state or territory:

