

RSL LifeCare
Submission to the Independent Review of Aged Care Accommodation Funding
November 2025

1. Introduction

RSL LifeCare welcomes the opportunity to contribute to the Independent Review of Aged Care Accommodation Funding, as legislated under the Aged Care Act 2024.

As a leading not-for-profit provider of residential aged care, home care, retirement living, and veteran services across NSW, the ACT and Queensland, RSL LifeCare is committed to delivering high-quality, person-centred care and ensuring equitable access for all veterans and seniors, regardless of means or location.

This submission reflects RSL LifeCare's extensive experience as a large-scale provider and offers constructive recommendations to improve fairness, sustainability, and investment confidence in residential aged care accommodation funding.

RSL LifeCare supports a system that:

- Ensures equity between supported and non-supported residents
- Encourages investment in modern, high-quality accommodation
- Supports long-term sector viability and stability
- Enables transparency and choice for residents and families

2. Guiding Principles

RSL LifeCare's recommendations are guided by the following principles:

- **Equitable Access:** The accommodation supplement must ensure providers are financially agnostic when admitting supported, partially supported, or non-supported residents.
- **Sustainability:** Funding models must make the sector financially viable and attractive for capital investment.
- **Certainty and Transparency:** The relationship between daily and lump-sum payments must provide predictable returns for operators and clarity for residents.
- **Quality and Innovation:** Reforms must support continuous improvement in accommodation design, quality, and resident experience.

3. Responses to Consultation Questions

QUESTION 1: How could the Accommodation Supplement be reformed to ensure quality accommodation for residents of low means?



The current supplement is inadequate and fails to meet its objective of ensuring equitable access to quality accommodation for residents of low means.

- The maximum supplement remains less than half the average daily accommodation payment sector-wide, creating a structural inequity between supported and non-supported residents.
- Providers are disincentivised to admit supported residents due to the financial disparity.
- Higher quality accommodation carries proportionately higher costs, which must be recognised in funding design.

RSL LifeCare Recommendation:

The Accommodation Supplement should reflect actual accommodation costs and deliver equivalent financial outcomes for providers regardless of a resident's means.

QUESTION 2: Should the value of the Accommodation Supplement be universal or tiered?

RSL LifeCare does not support a tiered model based on location or resident mix.

- Tiering would add complexity, distort the market, and fail to address true cost variations.
- Instead, the supplement should align to the room price, capped by the Maximum Accommodation Payment Amount (currently \$758,627 as of July 2025).
- Regional challenges, such as workforce shortages or higher construction costs, should be addressed through targeted mechanisms, not through variable supplement rates.

RSL LifeCare Recommendation:

Avoid adopting a tiered approach to the Accommodation Supplement, as it risks further distorting the market and adding unnecessary complexity to provider funding arrangements.

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

A staggered supplement that decreases over time would undermine quality and maintenance.

- Costs increase as facilities age due to maintenance, compliance, and safety requirements.
- Reducing the supplement as a facility ages would penalise providers and discourage proactive upkeep.
- It could also incentivise superficial renovations purely to restore higher rates.

RSL LifeCare Recommendation:

The Higher Accommodation Supplement should remain linked to actual room price and quality standards. Genuine refurbishments could be encouraged through separate capital improvement incentives or grants.



QUESTION 4: How suitable is the current incentive structure to encourage providers to accept low means residents? How could those incentives be preserved or enhanced?

The single-threshold incentive (40% supported residents) is ineffective and distorting.

- It creates a cliff effect, where providers may limit supported resident numbers to retain higher supplement rates.
- An effective approach is to link incentives directly to the actual costs and quality standards, ensuring that providers are rewarded for delivering high-quality accommodation to all residents, regardless of means.
- The system should be simple, transparent, and avoid creating perverse incentives that undermine equitable access.
- The system should instead offer graduated incentives and remove financial penalties for higher proportions of supported residents.

RSL LifeCare Recommendation:

Introduce a smooth incentive curve that reflects real cost differentials, rewards quality, and promotes equitable access for low means residents.

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

- While rewarding quality is essential, the current financial distress within the aged care sector means that simply linking higher Accommodation Supplement payments to quality benchmarks will not achieve the desired outcomes unless the underlying funding base is both sufficient and sustainable.
- The industry is facing severe financial pressure. Recent AN-ACC uplifts have failed to keep pace with escalating costs across wages, utilities, insurance, food, and compliance. Many providers are operating at a loss, and the sector's overall financial position is increasingly fragile. According to industry benchmarks, the average provider is losing more than \$12.05 per resident bed day, and the banking sector's appetite for investment in aged care development and refurbishment has declined sharply as a result.
- This environment leaves limited capacity for operators to reinvest in the infrastructure and improvements that underpin high-quality accommodation. Without adequate funding to meet even base operational requirements, there is little incentive for new entrants or existing providers to invest in modernisation, refurbishment, or innovation. The result is a system at risk of stagnation and decline, with quality improvements remaining aspirational rather than achievable.

RSL LifeCare Recommendations:

- First, lift the supplement to reflect real accommodation costs.
- Then, introduce a tiered quality incentive linked to measurable design and service outcomes (aligned to the National Aged Care Design Principles and Guidelines).
- Ensure the incentives are accessible, realistic, and adequately funded.

QUESTIONS 6–7: How does Accommodation Supplement pricing impact capital investment, and how could it be reformed to better incentivise investment?

- Capital investment in aged care is driven by the financial viability of projects. The Accommodation Supplement is just one component of the funding mix, but its design and implementation have a considerable influence on investment decisions.
- While the supplement will never be the sole driver of capital investment, it must be predictable, aligned with actual costs, and clearly understood by the sector, rather than representing only a fraction of what is required.
- If the supplement is set too low, it erodes provider margins and undermines the financial feasibility of new developments, refurbishments, and essential maintenance.
- Transparent and stable supplement rates give providers the confidence to plan strategically and to secure financing for capital projects from lenders and investors.
- The current supplement level is inadequate to sustain the cost of quality accommodation, contributing to the deterioration of ageing infrastructure and diminishing the willingness of financial institutions to invest in the sector.
- To stimulate capital investment, the supplement must be calibrated at a level that ensures project viability and encourages both new market entrants and existing operators to upgrade and expand their facilities.

RSL LifeCare Recommendations:

- Index supplement rates annually to real construction and operating cost movements.
- Provide predictable, long-term funding parameters to give lenders and investors confidence.
- Introduce complementary measures such as concessional loans or targeted capital programs for regional and high-need areas.

QUESTION 8: To what extent are the current rates of the Accommodation Supplement sufficient to cover providers' capital and operational costs relating to accommodation?

Current rates of the Accommodation Supplement are inadequate to meet the true capital and operational costs associated with providing residential aged care accommodation.



- According to the StewartBrown benchmark, the sector is currently losing an average of \$12.05 per resident bed day, underscoring the significant financial gap confronting providers.
- The supplement is set well below the average daily accommodation payment across the sector, resulting in providers receiving substantially less for supported residents than for those who are non-supported.
- This persistent shortfall undermines provider viability, restricting their ability to fund essential maintenance, undertake facility upgrades, and deliver the quality improvements expected by residents and regulators.
- To achieve equity and sustainability, the supplement must form a core component of bridging this funding gap, reflecting the real and contemporary costs of delivering quality accommodation rather than relying on nominal or outdated benchmarks.

RSL LifeCare Recommendation:

The Government should increase the Accommodation Supplement to align with the actual cost of providing high-quality residential aged care accommodation. This adjustment should be indexed annually to construction, wage, and operating cost movements to ensure ongoing financial sustainability and to enable continued reinvestment in the improvement of aged care infrastructure nationwide.

QUESTION 10: What factors should be considered in setting an equivalence mechanism and rationale for each?

An effective equivalence mechanism is essential to ensure fairness and transparency in accommodation payments, allowing residents and providers to make informed choices.

RSL LifeCare Recommendations:

- Ensure financial neutrality between lump sum (RAD/RAC) and daily (DAP/DAC) payments.
- Provide clarity and predictability for both residents and providers.
- Reflect actual financing conditions, not artificial constructs like the General Interest Charge (GIC).

QUESTIONS 11 AND 12: What is an appropriate rate of return on lump sum for providers? Is this an appropriate level for setting the MPIR? Does the MPIR link to the General Interest Charge represent an appropriate way of adjusting equivalence in line with economic conditions?

- In the longer term, the Daily Accommodation Payment (DAP) could be positioned as the default payment type, provided it is set at a level sufficient to cover development returns, operational risk, and ongoing asset depreciation.



- If DAP fluctuations were limited to movements in the Base Interest Rate, this would establish a stable and predictable income stream for providers.
- A consistent and transparent pricing framework would attract long-term institutional investors, such as superannuation funds, by ensuring returns that reliably cover the cost of development, refurbishment, and maintenance.
- Such stability would enhance investor confidence, encourage reinvestment, and support sustained growth and renewal across the residential aged care sector.
- The current linkage between the Maximum Permissible Interest Rate (MPIR) and the General Interest Charge (GIC) is inappropriate and ineffective for maintaining fair payment equivalence. The GIC reflects government debt recovery settings rather than real-world financing conditions faced by aged care providers.
- Continuing to align MPIR with the GIC risks creating artificial volatility and inequity, discouraging both residents and providers and deterring capital investment in new or upgraded facilities.

RSL LifeCare Recommendation:

The Government should decouple the MPIR from the General Interest Charge and establish a new equivalence mechanism based on real economic indicators, for example, the Base Interest Rate or an independently verified market benchmark. This would ensure that accommodation payment settings remain stable, equitable, and attractive to investors, while delivering certainty for providers and affordability for residents.

QUESTION 13: Would a Weighted Average Cost of Capital (WACC) be an appropriate equivalence mechanism? If so, how should this be derived?

- The Weighted Average Cost of Capital (WACC) has occasionally been proposed as an alternative mechanism to the Maximum Permissible Interest Rate (MPIR) for determining payment equivalence. While conceptually appealing in linking returns to actual financing costs, the WACC presents significant practical, administrative, and policy challenges when applied across the residential aged care sector.
- The WACC varies widely between providers, reflecting differences in organisational structure, size, leverage, credit rating, access to capital markets, and regional operating conditions. Applying a single sector-wide WACC would therefore be inherently inequitable, advantaging some providers while disadvantaging others.
- The process of calculating, validating, and updating a representative WACC for the sector would be complex and resource-intensive, requiring regular recalibration to account for interest rate movements, debt-to-equity ratios, and evolving market conditions. This would add unnecessary administrative burden and create uncertainty for both providers and regulators.



- There is also a risk of competitive distortion, as providers with lower cost structures or stronger financial positions would benefit disproportionately, while smaller or regionally based operators could be placed at a structural disadvantage.
- A more transparent and consistent approach would be to reference an independent, publicly available benchmark, such as a recognised property or infrastructure financing rate, which would better reflect the long-term cost of capital without the volatility and complexity inherent in a WACC-based model.

RSL LifeCare Recommendation:

The Government should not adopt the WACC as the equivalence mechanism for accommodation payments.

Instead, it should establish a simplified, transparent, and independently benchmarked model, for example, one linked to prevailing property sector investment returns or the Base Interest Rate, to ensure stability, predictability, and fairness across all providers, while maintaining confidence among investors and residents alike.

QUESTION 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?

The idea of an equivalence range, rather than a single benchmark, deserves consideration but raises important concerns about complexity, transparency, and sector stability.

- An equivalence range could, in theory, offer flexibility to accommodate different provider circumstances or market conditions, but it risks introducing confusion for residents and providers alike.
- Ranges may make it harder for stakeholders to compare options and plan financially, undermining predictability and confidence in the system.
- The administrative burden of managing a range, especially in terms of compliance, communication, and oversight, could outweigh any potential benefits.
- There is a risk that a range could be exploited, with providers selecting points within the range that maximise their own interests rather than serving residents equitably.

RSL LifeCare Recommendation:

A single transparent rate is preferable, if the above concerns are not addressed, to maintain consistency, fairness, and consumer clarity.



QUESTION 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?

The introduction of a mandated minimum accommodation payment is a complex proposal that, while well-intentioned, carries the risk of unintended and adverse consequences for both providers and residents.

- Although the principle of payment equity is sound, imposing a minimum payment threshold across all providers could distort market dynamics by removing flexibility in pricing and undermining the ability of operators to respond to local economic and demographic conditions.
- A mandated minimum may not adequately account for regional cost variations, differences in facility design, or the range of accommodation options offered across the sector. This could lead to pricing rigidity, disadvantaging providers in lower-cost areas and limiting consumer choice for residents seeking affordable accommodation options.
- The policy could also reduce flexibility for both providers and residents, particularly where lower-priced accommodation is appropriate, sustainable, and aligned with community expectations. For example, smaller regional or legacy facilities that cater to residents of modest means could be disproportionately impacted by a blanket minimum payment rule.
- The focus should instead be on ensuring that the Accommodation Supplement for supported residents is appropriately calibrated to reflect the true cost of providing quality accommodation, thereby maintaining parity between supported and non-supported residents without introducing additional regulatory burden or administrative complexity.

RSL LifeCare Recommendation:

Rather than introducing a mandated minimum payment, the Government should reform the Accommodation Supplement to ensure that it adequately covers the full cost of providing high-quality accommodation for supported residents.

This approach would achieve the intended outcome of financial equity and sector sustainability while preserving pricing flexibility, consumer choice, and market responsiveness.

QUESTION 16: What are the advantages and disadvantages of moving the MPIR-related fluctuations in pricing from the DAP to the RAD?

Allowing RADs to fluctuate in line with DAPs would likely destabilise the capital structure of aged care providers.

- The cost of constructing and maintaining residential aged care facilities is a historic, sunk investment. RADs, as lump sum contributions, are designed to reflect this historic cost and provide stable, predictable funding for providers.
- Introducing fluctuations to RADs would undermine this stability, creating uncertainty for both providers and residents. This would complicate financial planning and could deter investment in new or upgraded facilities.
- The capital base supporting aged care accommodation should be anchored to the real, historic cost of providing the buildings, not subject to the same volatility as daily payment rates.
- DAPs are intended to reflect the ongoing cost of capital for residents who choose not to pay a lump sum, and it is appropriate for DAPs to fluctuate with market conditions. However, conflating the two mechanisms risks eroding the financial certainty that underpins long-term investment in the sector.
- For these reasons, RADs should remain stable and reflective of historic capital costs, while DAPs can continue to provide flexibility for residents and adjust to prevailing economic conditions. This distinction is essential to maintaining a sustainable and investment-friendly funding model for residential aged care.

RSL LifeCare Recommendation:

The Government should retain the stability of RADs as a fixed, capital-based funding mechanism and limit fluctuations to DAPs only, ensuring that accommodation pricing remains both predictable for providers and flexible for residents. This approach will protect sector stability, support long-term investment, and preserve confidence among financiers and operators.

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

Setting the Daily Accommodation Payment (DAP) as the anchor for room pricing may improve transparency for residents and families, but it would also introduce significant operational and financial challenges for providers.

- Linking the Refundable Accommodation Deposit (RAD) directly to changes in the Maximum Permissible Interest Rate (MPIR) would cause RAD values to fluctuate, making capital inflows unpredictable and complicating long-term financial planning.
- This volatility could lead to large and unanticipated capital outflows, potentially exceeding the liquidity reserves of many providers and creating serious financial stability risks across the sector.
- While consumers may find it easier to compare daily pricing, such an approach could undermine the stable capital framework that underpins providers' ability to invest in new developments, modernisations, and ongoing facility maintenance.



- The predictability of RADs is critical to sustaining investor confidence and ensuring that providers can manage long-term debt, fund capital works, and maintain solvency in an environment already challenged by cost inflation and regulatory reform.

RSL LifeCare Recommendation:

The Government should retain the RAD as a fixed capital mechanism and continue to use the DAP for consumer price transparency, ensuring that only DAPs fluctuate with market conditions. This will maintain sector stability, safeguard liquidity, and preserve the financial certainty necessary to support continued investment in high-quality aged care accommodation.

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

Setting the DAP at a level that covers development costs, return hurdles, a risk premium, and allowances for refurbishment and maintenance would fundamentally change the sector's investment dynamics.

- This approach would set the DAP at a much higher level, but it would attract capital to the sector for much-needed development and asset investment.
- It would also enable operators to replace RADs with debt funding, providing sufficient coverage for interest and return on investment.
- Ultimately, a higher DAP anchored to real development and operational costs would support sustainable growth and ongoing quality improvements in residential aged care.

RSL LifeCare Recommendation:

The Government should recalibrate the DAP to accurately reflect real development and operational costs, including allowances for capital returns, risk, and maintenance. Establishing this higher, cost-based DAP would attract new investment, support sector renewal, and enable providers to reduce reliance on RADs while maintaining sustainable, high-quality accommodation across the aged care system.

QUESTION 19: Do you think the DAP should be set as the default payment type? Why?

In the longer term, the DAP could be set as the default payment type, provided it is set at a high enough level to cover development returns, operational risk, and ongoing wear and tear.

- If DAP fluctuations were limited, only adjusting with the Base Interest Rate for interest cover, this would provide a stable, predictable income stream.



- Such a structure would encourage investment from superannuation funds and other institutional investors, as it would guarantee income to cover the cost of development, asset maintenance, and refurbishment.
- This approach would support sustainable growth and long-term investment in the sector.

RSL LifeCare Recommendation:

In the long term, the Government should transition to a DAP-based default payment model, provided it is set at a level that fully covers development and operational costs and fluctuates only with the Base Interest Rate, ensuring income stability and sustained investment in high-quality aged care accommodation.

4. Conclusion

The current accommodation funding framework is structurally inequitable and financially unsustainable. Without reform, the sector faces continued underinvestment, facility closures, and diminished quality outcomes for residents. RSL LifeCare offers the above recommendations for the Independent Review's urgent consideration.

RSL LifeCare thanks the Department of Health, Disability and Ageing for the opportunity to contribute to this important review and remains available for further consultation or discussion on the recommendations within this submission.

