



Residential Aged Care Accommodation Pricing Review

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Submission—Residential Aged Care Accommodation Pricing Review

Summary and recommendations

UnitingCare Queensland (UCQ) supports immediate reform of the Accommodation Supplement to guarantee all Australians—especially those of low means—can access quality residential aged care. The current funding model bases the supplement on a deposit lower than what most residents pay, which creates a funding gap. Providers caring for fully supported residents face a daily shortfall, discouraging them from supporting greater numbers of vulnerable people.

Drawing on internal expertise and national analysis, this submission puts forward a range of ideas to improve the accommodation supplement to match contemporary accommodation costs and supports sustainable high-quality care for all Australians.

Recommendations

- Increasing the Accommodation Supplement by raising the base rate to be commensurate with contemporary accommodation costs. This could involve attaching the supplement to a higher notional RAD (around \$550k–\$600k) or boosting the daily rate to close the current gap.
- Implementing an automatic indexation mechanism for the supplement, adjusting it at least annually in line with construction cost inflation or CPI.
- Introducing a tiered supplement structure to:
 - Provide regional loadings or higher rates for remote and rural services (MMM 5–7) and possibly separate loadings for major metropolitan high-cost areas.
 - Provide additional special-purpose loadings for facilities serving predominantly disadvantaged groups (e.g. Aboriginal and Torres Strait Islander, homeless) to reflect their unique cost pressures.
- Taking an approach that rewards continuous quality improvement in accommodation by maintaining the higher supplement for providers that regularly refurbish or upgrade facilities, demonstrating reinvestment every few years. If a facility has not seen any capital improvement over an extended period, consider tapering the supplement until upgrades occur.
- Enhancing incentives for supported resident admissions by replacing the single 40% threshold with a graduated scheme.
- Monitoring supported resident rates and consider minimum ratio requirements if access begins to decline.
- Incorporating capital considerations into pricing. When setting accommodation funding rates, use realistic cost-of-capital assumptions. IHACPA and the Department should consider providers' WACC in determining supplements or MPIR-equivalents. The supplement (and DAP) should be sufficient to cover interest on borrowing for new construction; this may mean setting a floor on MPIR or explicitly building a capital cost factor into supplement calculations.

1. Introduction

UnitingCare Queensland welcomes the opportunity to contribute to the Residential Aged Care Accommodation Pricing Review. Ensuring equity of access to high-quality residential aged care accommodation is critical to ensuring all Australians have ageing and end of life journeys characterised by dignity and respect.

The current structure of the Accommodation Supplement creates a funding gap between residents of low means and those able to pay higher deposits or daily fees. This disparity risks undermining equitable access, as providers face financial disincentives to admit supported residents, which reduces the availability of quality accommodation for some of Australia's most vulnerable older people. To address these challenges, it is essential to reform the Accommodation Supplement to better reflect contemporary accommodation costs and to safeguard access for all older Australians, regardless of means.

This submission incorporates feedback from UnitingCare Queensland's aged care managers and finance experts, alongside recent findings from StewartBrown. We outline the need for a sustainable approach to funding while focusing on increasing equity and ensuring residents can access safe, comfortable, and dignified living environments.

About UnitingCare Queensland

UnitingCare Queensland delivers aged care services in Queensland through BlueCare and Pinangba, and in the Northern Territory through our independent subsidiary Australian Regional and Remote Community Services (ARRCS). We deliver high-quality residential care, home care, and specialised services to vulnerable populations, including Aboriginal and Torres Strait Islander peoples, rural and remote communities, and people who have experienced homelessness.

With extensive experience across these diverse communities, UCQ is uniquely positioned to provide insights into the impacts of current aged care pricing models, particularly the challenges of providing care to those with complex health and social needs.

2. Reforming the Accommodation Supplement

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

The Accommodation Supplement must be increased to close the funding gap that currently exists for residents of low means. At present, the supplement is calculated as if the resident paid a ~\$350,000 Refundable Accommodation Deposit (RAD), yielding about \$70–\$72 per day for the provider. This no longer reflects actual costs across Australia. For example, the *average* refundable deposit in Queensland is around \$560,000, which equates to a daily payment of about \$116.76 at the current MPIR (7.9%)¹. This means a fully supported (government-subsidised) resident brings in ~\$45.82 less per day than a self-funded resident for the same room. StewartBrown’s national analysis puts this shortfall at roughly \$60 per day, noting this average also includes homes in high-cost metropolitan markets¹. This gap is significant and creates a disincentive for providers to take on supported residents, which reduces their access to quality accommodation and residential care.

To ensure residents who rely on the pension or have low incomes can access and live in quality accommodation, the supplement should be attached to more realistic accommodation values. For example, increasing the effective asset base to ~\$550,000–\$600,000, closer to the average RAD, would boost the daily supplement to the \$100+ range, largely closing the gap. Another approach is to index the supplement to a percentage of average market room prices, so it rises in line with what providers charge other residents. Indexation for inflation is also crucial; the supplement should automatically adjust with construction cost indices or CPI to avoid erosion over time.

The need for a higher supplement is widely recognised. Both StewartBrown and UnitingCare Queensland’s own analyses show that without a significant uplift, providers are effectively subsidising supported residents out of operating margins or cross-subsidies, an approach that is unsustainable. In FY25, even after recent funding reforms, the average net loss on accommodation services was about \$12 per bed day nationally. In other words, daily accommodation revenue (supplements + DAPs + RAD retention) of ~\$43.74 is being outweighed by expenses and overheads of ~\$55.79². This demonstrates current funding is insufficient to cover capital costs and hotel services fully, let alone generate a surplus for reinvestment.

By raising the Accommodation Supplement, government can ensure providers are resourced to offer rooms and amenities of comparable quality to all residents. Without this reform, there is a material risk of supported residents being “squeezed out” as occupancy rises and homes must fill beds with higher-paying residents to stay viable.

¹ StewartBrown. (2025, October). *Queensland Aged Care Finance Forum Presentation*. Presented by Grant Corderoy, Senior Partner.

² StewartBrown. (2025, June). *Aged Care Financial Performance Survey Sector Report (FY25)*. StewartBrown Pty Ltd.

Uniting Care Queensland recommends:

- Increasing the Accommodation Supplement by raising the base rate to be commensurate with contemporary accommodation costs. This could involve attaching the supplement to a higher notional RAD (around \$550k–\$600k) or boosting the daily rate to close the current gap.
- Implementing an automatic indexation mechanism for the supplement, adjusting it at least annually in line with construction cost inflation or CPI.

3. Universal versus tiered approaches

Question: “Should the value of the Accommodation Supplement be universal or tiered, such as by location or proportion of residents or other basis?”

A tiered Accommodation Supplement offers a better alternative to a one-size-fits-all model, as it enables funding to reflect regional cost differences and the unique characteristics of each service. UnitingCare Queensland supports a hybrid system, combining a robust base supplement to guarantee a high minimum level of support for all providers, with extra loadings or higher rates in specific situations. These tiered rates should reflect location as well as service demographics or specialisation. The current structure only differentiates between new and old buildings and whether the proportion of supported residents exceeds 40%, which fails to capture the full range of cost variations.

Regional cost variation

The cost of building and running an aged care home in inner-city Brisbane or Sydney is very different from that in regional Queensland. Land values, construction costs, and workforce expenses vary. A uniform supplement does not reflect these differences and underfunds supported residents in high-cost areas by a larger margin.

Any policy change needs to account for regional variation, considering factors like local real estate costs and construction supply challenges. As an illustration, the cost to replace a room in a remote community might be far above the norm due to freight and workforce needing to be flown in and accommodated, so a remoteness loading is justified. Conversely, in CBD areas where rooms commonly cost in excess of \$700,000³, the supplement might need an urban loading to cover a percentage of that high market price.

Service demographics and specialisation

UnitingCare Queensland also support tiering by the profile of residents served. Currently, the supplement has a binary higher rate if the home has >40% supported residents *and* meets certain building requirements. This is a crude measure of need. Instead, tiering could include graduated rates based on the proportion of supported residents and special categories for services targeting vulnerable groups. For example, homes that cater predominantly to Aboriginal and Torres Strait Islander communities or homeless people often have 95–100% supported residents. They also face unique challenges related to culturally appropriate building design and lack of cross-subsidy from RADs and DAPs.

³ StewartBrown. (2025, October).

UnitingCare Queensland's Pinangba services are nearly 100% fully supported and require additional funding as relying on the supplement alone leaves them underfunded. Currently, these services rely on capital assistance grants for building and refurbishment activities. A tiered approach would provide an extra supplement uplift for such services, supporting sustainability beyond special grants.

UnitingCare Queensland recommends introducing a tiered supplement structure to:

- Provide regional loadings or higher rates for remote and rural services (MMM 5–7) and possibly separate loadings for major metropolitan high-cost areas.
- Provide additional special-purpose loadings for facilities serving predominantly disadvantaged groups (e.g. Indigenous, homeless) to reflect their unique cost pressures.

4. Higher Accommodation Supplement

Question: "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)?"

We understand the intent behind staggering the supplement is to incentivise providers to keep facilities up to date by not indefinitely paying a "new build" subsidy for an old home. However, applying a strict time-based reduction to the higher accommodation supplement can be problematic in practice. Instead of an automatic stagger or time-limit, we support an approach focused on continuous improvement.

The current higher supplement for post-2012 builds or significant refurbishments can be arbitrary in practice. For example, a home built in 2013 still gets the higher rate in 2030, even if it hasn't been updated since, whereas a home built in 2011 gets the lower rate despite being well-maintained. A time-based stagger, say reducing after a certain number of years, might correct some of this, but could also unfairly penalise providers and remove funds they might have used for upgrades.

An alternative option is incentivising ongoing upgrades without a set expiry. Rather than automatically reducing the supplement as facilities age, the policy could require, or strongly encourage, providers to undertake periodic refurbishments to continue qualifying for the higher rate. For example, every 5–7 years a facility could demonstrate a certain level of capital improvement e.g. refurbishment of resident rooms, modernisation of common areas, or infrastructure upgrades like sprinkler systems. If they do this, they retain the higher supplement; if they do not, their supplement could be tapered until they invest. This approach places the emphasis on continuous improvement rather than one-off builds. It aligns funding with quality as homes that reinvest steadily keep getting rewarded.

We acknowledge that smaller providers might find it hard to do constant minor works, so an alternative is a renovation cycle. For example, a home gets the high supplement for a period of 20 years, if by year 15–20 they complete a qualifying refurbishment, the clock "resets" for another period of higher payments. This is somewhat akin to the suggestion of full value payable again after renovation, but we would caution against too short a cycle.

UnitingCare Queensland currently benefits from the higher supplement on many of our facilities due to the post-2012 refurbishment rule, and those extra funds are used to support our capital costs. If those supplements suddenly dropped off after a

set time without a replacement, it could destabilise our finances. A managed approach could reduce the impact of this by encouraging refurbishments with the promise of maintaining higher payments. This avoids a position where a provider's revenue suddenly drops, making it harder for them to afford a refurbishment.

UnitingCare Queensland recommends taking an approach that rewards continuous quality improvement in accommodation by maintaining the higher supplement for providers that regularly refurbish or upgrade facilities, demonstrating reinvestment every few years. If a facility has not seen any capital improvement over an extended period, consider tapering the supplement until upgrades occur.

5. Incentive structure for low-means residents

Question: "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?"

The current incentive – a higher supplement rate if a facility's supported residents exceed 40% of occupancy – is not always sufficient. This could be enhanced by introducing graduated incentives rather than a single threshold.

Issues with the 40% rule

The 40% rule creates an all-or-nothing effect. A provider with 39% supported residents gets no benefit, whereas at 40% they get ~33% (\$17.73) more per supported resident subsidy⁴. This sharp threshold can lead to unintended behaviour, such as homes just below 40% being reluctant to admit a few extra private-pay residents if it risks dropping them below the line, and homes above 40% having no further reward for increasing to 50% or 60%. In practice, many not-for-profits ensure they hover around or above 40% to qualify, but they then have little incentive to go much higher. Meanwhile, for-profit premium services often stay well below 40% and simply forego the supplement boost, focusing instead on RAD-paying clients. This indicates the 40% incentive is not strong enough to change behaviour, and those who do qualify would likely have served supported residents regardless due to mission or local demographics.

Options to enhance the incentive structure:

- **Tiered thresholds**—Introduce multiple support levels. For example, give a small supplement uplift at 20% supported, a larger one at 30%, and the full uplift at 40%, possibly even further increments at 50%+. This will see providers benefit as soon as they take a reasonable number of low-means residents, and this scales up with each additional cohort. A graduated scheme means any increase in supported resident share yields some reward, and there is continuous encouragement to go from 20% to 30%, 30% to 40%, etc.

⁴ Australian Government Department of Health and Aged Care. (2023, December). *Schedule of Subsidies and Supplements for Aged Care*.

- **Partial vs fully supported**—Consider differentiating incentives for partially supported residents as well. Currently, if a resident can pay a part of their accommodation based on the means test, the government supplement covers the rest. These residents could count toward the 40% the same as full pensioners. To ensure this group isn't replacing fully supported residents, a metric of supported bed days weighted by level of subsidy could be used. Further work could be done on varying supplements by full vs partial support to fine-tune incentives.
- **Preserve incentive at higher levels**—If a home has, for example, 60% supported residents, they should qualify for even more support since cross-subsidy potential is low. This could include additional loadings beyond 40% - although this should be balanced against reforms to the base supplement. If the base supplement is adequately high, this will support homes with higher percentages of supported residents.
- **Monitor supported resident ratios and regulate if needed**—The *Aged Care Act 2024* removed the former mandatory supported resident ratio. In its absence, some providers might drastically reduce their intake of supported residents if no other incentives are in place. We support an approach to preserve and reform incentives, while being prepared to regulate a minimum supported ratio if equity of access issues emerge.

UnitingCare Queensland recommends:

- Enhancing incentives for supported resident admissions by replacing the single 40% threshold with a graduated scheme.
- Monitor supported resident rates and consider minimum ratio requirements if access begins to decline.

6. Uplifting accommodation quality

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

The Accommodation Supplement can be a lever to drive quality improvements in aged care homes, but only if it provides sufficient capital funding and is structured to reward investment in quality. There are two key aspects to this: adequate funding, so providers have the means to invest in quality; and targeted incentives, so providers have the motivation to direct funds toward quality improvements.

Increasing the supplement's value (see Section 2) is a precondition for quality uplift. If providers are operating at a loss on accommodation, which many are under current settings, they have little capacity to refurbish or rebuild. UnitingCare Queensland's experience reflects that of the broader industry, where tight finances mean immediate care and operational costs are prioritised; with capital works being deferred. By raising the supplement to a level that at least covers depreciation and financing costs, providers can generate a surplus earmarked for capital renewal. For example, if the supplement were high enough that each supported resident's

funding covered building depreciation (roughly \$23 per day on average^{5[OB]}) and some return on capital, this could be put back into maintaining and improving the facility.

Linking supplement eligibility to quality criteria would directly support uplift. We touched on one approach in Section 4, requiring periodic refurbishments to keep the higher supplement. This ensures extra funding is used for improvements. Another idea is to introduce a “quality of accommodation” incentive or loading. For instance, a home achieving certain standards beyond basic accreditation – such as all rooms having private ensembles, superior environmental design, or innovative dementia-friendly features – could receive an additional supplement boost. Care must be taken in defining these standards to avoid complexity, but the principle is to reward capital and accommodation quality.

Some other changes to support quality could include:

- **Maintaining the higher supplement for well maintained and upgraded homes**—Keep paying an elevated supplement to homes that continually upgrade. This means providers know that if they spend money on a renovation, they won’t lose out – they secure higher ongoing revenue as a result.
- **Capital grants or one-off payments**—Complementary policies like targeted capital grants, especially in rural and remote areas or for specialised designs for unique communities, would continue to uplift quality.
- **Scope of “quality” – beyond buildings**—Quality accommodation isn’t just floors and walls. It includes having modern equipment, technology (Wi-Fi, smart nurse-call systems), and comfortable furnishings. The supplement needs to include these ongoing costs. Ensuring supplement value accounts for capital replacement of furniture, equipment and technology – not just initial building cost – will help providers continuously refresh these elements, which directly impact residents’ day-to-day experience.

Reforming the supplement as discussed in sections 2 and 3 will uplift accommodation quality. A well-funded supplement, indexed and possibly tiered, provides the capital margin to invest; and tying higher rates to refurbishment activity ensures homes receiving extra funds are using them to maintain and improve quality.

⁵ StewartBrown. (2025, June).

7. Impact of accommodation pricing on capital investment

Question: “Outline how the Accommodation Supplement pricing impacts on incentives for capital investment in residential aged care.”

Currently, the pricing settings around accommodation, including the Accommodation Supplement and the structure of RAD/DAP payments, provide weak incentives for capital investment. As the revenue stream from accommodation payments is not sufficient to cover capital costs plus a reasonable return, the sector struggles to attract the funds needed for new developments or major refurbishments.

Low (or negative) returns on accommodation assets

As noted earlier, many providers are operating at a loss on the accommodation component of residential aged care. StewartBrown data for FY25 shows an average EBITDA per bed from accommodation services of roughly $-\$4,400$ per annum (a loss) when corporate overheads are allocated⁶. Even before overheads, the margin was only a few dollars per day. This translates to an effectively negligible return on the capital invested in buildings – far below commercial expectations. The rule of thumb mentioned by StewartBrown is around $\$20,000$ EBITDA per bed per year, about $\$55$ /day, to make aged care infrastructure an attractive investment proposition⁶. Currently, the industry is not in this position, and any returns come primarily from care funding surplus or other areas, not accommodation itself.

Because of these low returns, institutional investors and even some larger providers view building new aged care homes as financially risky. This leads to fewer new beds being built, except where providers have philanthropic support, a capital grant, or can charge high RADs to offset the risk. The accommodation supplement in its current state is too low to significantly contribute to capital payback, especially for services with high proportions of supported residents.

Pressure on charging Refundable Accommodation Deposits (RADs)

Because the supplement underfunds supported residents, providers are seeking more Refundable Accommodation Deposits (RADs) from those who can pay. However, there are limits to this approach:

- RADs are subject to competition, a provider can't set them arbitrarily high without losing customers, and policy caps them to $\$750,000$ unless approved by the Pricing Authority.
- With interest rates rising, residents are opting for Daily Accommodation Payments (DAPs) instead, which reduces capital availability to providers. StewartBrown's survey noted only $\sim 37\%$ of new residents chose a full RAD in FY25⁶. The shift toward DAP means providers get less upfront capital, undermining investment capacity.
- Supplement pricing exacerbates funding pressure because if a significant proportion of residents are supported, the provider's capital pool shrinks further. This is a particular issue in low-income areas where few RADs and DAPs are expected and is why some regions face chronic undersupply of aged care places.

⁶ StewartBrown. (2025, June).

Cost of Capital vs MPIR

A technical but important factor: the Maximum Permissible Interest Rate (MPIR) used to convert RADs to DAPs (and vice versa) is currently 7.61%⁷. Many providers face a Weighted Average Cost of Capital (WACC) higher than that, when you consider bank loans, bond financing, or required returns on equity.

The WACC, alongside appropriate measures to achieve consistency and transparency, could be an alternative to MPIR in calculating funding needs to better reflect capital costs. Providers effectively lose money on every supported resident and even on people paying DAPs if MPIR is below their financing cost. This gap discourages investment as the regulated daily charge or supplement doesn't cover the interest on the loan to build. Until accommodation pricing, including supplements, meets the real cost of capital, there's a disincentive to invest.

Mixed impact of recent reforms

Recent changes like the introduction of a 2% RAD retention from 1 Nov 2025 and indexation of DAPs will modestly improve capital funding. The 2% retention gives providers a small ongoing revenue from RADs, which can help fund capital maintenance. However, it might also encourage more residents to choose DAP or combination payments to avoid losing 2% yearly, which conversely reduces upfront capital intake.

The increase of the Basic Daily Fee (hotelling) supplement to \$22.15 has resolved much of the hotel services deficit, which is positive. But this additional income doesn't directly fund buildings – it covers meals, cleaning, etc., freeing up only little if any for capital.

As none of these reforms directly improve the accommodation supplement, providers are not receiving enough dedicated accommodation funding per resident to recoup and reinvest in infrastructure.

UnitingCare Queensland recommends incorporating capital considerations into pricing. When setting accommodation funding rates, use realistic cost-of-capital assumptions. IHACPA and the Department should consider providers' WACC in determining supplements or MPIR-equivalents. The supplement (and DAP) should be sufficient to cover interest on borrowing for new construction; this may mean setting a floor on MPIR or explicitly building a capital cost factor into supplement calculations.

⁷ Australian Government Department of Health and Aged Care. (n.d.). *Understanding aged care home accommodation costs*. My Aged Care. Retrieved November 10, 2025, from <https://www.myagedcare.gov.au/understanding-aged-care-home-accommodation-costs>

8. Reforms to better incentivise capital investment

Question: “In what ways could the Accommodation Supplement be reformed to better incentivise capital investment in residential aged care?”

Several measures would improve incentives for providers to invest in new or upgraded aged care facilities. These include:

- Setting the supplement to match real capital costs—adjust it regularly so providers get enough funding for supported residents to cover their true building costs, using a benchmark closer to their actual financing rates (like WACC instead of MPIR).
- Increasing the base supplement—raising daily payments for each supported resident would directly help providers finance new facilities, especially in areas with more low-means clients.
- Using tiered supplements—offer higher rates for providers building in remote or underserved areas for a limited time, helping them cover initial costs and encourage investment where it's needed most.
- Linking extra supplement to capital spending—if providers invest in upgrades or new builds, they should get a temporary boost in supplement payments, rewarding those who put money back into their facilities.
- Building capital costs into the broader funding system—over time, consider funding models that separately support infrastructure, or add capital components to existing rates (like AN-ACC), so providers can maintain and improve their homes, especially for specialised care.
- Reducing risk—if providers know the supplement is high enough, stable, and indexed, it reduces uncertainty. One reason aged care development slowed has been unpredictability in policy. A higher and fairly indexed supplement would send a strong signal that government wants providers to build and will support them to do this.

9. Adequacy of current supplement rates for providers' costs

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

The current Accommodation Supplement rates do not cover providers' capital and operational costs for accommodation. UnitingCare Queensland's aged care services have a funding gap between supported and non-supported residents. This gap represents the shortfall in covering capital costs for the supported resident, which need to be subsidised from other sources. StewartBrown estimate this gap at ~\$60 gap nationally, with this average including higher-cost regions. This indicates the current supplement covers roughly 50–60% of the true capital cost of a bed as ~\$70 pr/pd is about half of the ~\$120–\$140⁸ needed for full cost recovery^[10].

⁸ StewartBrown. (2025, October).

10. Variation of accommodation costs by operating environment

Question: “How does the cost of providing accommodation vary across different operating environments, such as differences in location?”

The cost of providing residential aged care accommodation varies significantly across different environments, particularly when comparing:

- Urban vs regional vs remote locations
- Different building types and ages
- Different resident cohorts (care needs can influence building and equipment costs)

Location and environment

In capital cities and major metropolitan areas (e.g. Brisbane, Gold Coast), land acquisition or building construction costs are high. Additionally, expectations for room standards might be higher in a more competitive market, requiring more capital per bed to provide larger rooms, private ensuites, and advanced amenities. Labour costs for maintenance may be higher too. For instance, constructing a multi-storey facility in Brisbane might easily exceed \$400-500k per bed in build cost, not including land. Providers in these areas often set RADs accordingly high - the average published RAD in Brisbane might be \$550k+, and in Sydney often \$700k+⁹. As noted, the supplement is currently based on \$350k, which underrepresents city build costs.

In regional centres, land might be cheaper and builds possibly less costly, although this gap has narrowed with rising construction material costs. However, regional areas often don't support very high RADs due to lower property values and incomes. So a provider might only charge \$350k-\$450k for a room in a country town, which is closer to the supplement base. Yet, construction costs are not proportionately lower; a small scale build can have higher per-bed cost as they do not benefit from economies of scale. The environment might also bring other cost drivers, such as:

- regional centres sometimes having difficulty getting contractors, leading to higher maintenance costs or delays
- higher exposure or risk of climate events impacting building materials and standards – i.e. cyclone or bushfire

The cost challenges in remote and very remote areas are unique. Remote homes (MMM 6-7) face:

- Higher construction costs—transporting materials and labour, and overcoming infrastructure limitations can add significant expense. E.g., building in a remote Indigenous community might require bringing in builders from far away and accommodating them, etc.
- Maintenance and utilities—can be more expensive impacted by increased need for diesel generators and fly-in technicians for repairs

⁹ StewartBrown. (2025, October)., Australian Government Department of Health and Aged Care. (n.d.). *Understanding aged care home accommodation costs*. My Aged Care. Retrieved November 10, 2025, from <https://www.myagedcare.gov.au/understanding-aged-care-home-accommodation-costs>

- Scale issues—Many remote homes are small 20-30 beds and don't have the economy of scale that larger metro homes have to spread fixed costs
- Remote area residents are often 100% supported making revenue almost entirely reliant on the accommodation supplement. If the supplement isn't higher for such areas, these homes operate at a loss. In practice, many remote services rely on Capital Assistance Grants for new developments and major refurbishments.

Building types and ages

An older home may have higher maintenance costs with legacy issues to address but may be fully depreciated. New builds have high depreciation and financing costs but lower maintenance initially. This variation means two providers in the same city but with different building ages have different cost structures. The supplement doesn't currently account for that beyond the new-build higher rate, which as discussed needs refinement.

Specialisation for different resident cohorts or service models

Built environments can be designed to meet the needs of different cohorts or reflect certain services models. For example, if a home has a dementia-specific area with additional security, sensory gardens, and other design features, the capital cost per bed is usually higher. Another example is small-household cottages, where there are more buildings for the same beds as a multi-storey facility, leading to higher capital cost. These operating choices may better target residents' needs and choices but also affect accommodation cost. These variations are not captured by standard funding, and without an adequate accommodation supplement, people with low means are less likely to access modern, purpose-built homes that might be more tailored to their needs.

11. Conclusion

Reforming the Accommodation Supplement presents a powerful opportunity to drive equity and quality across Australia's aged care sector. By aligning funding more closely with real capital and operational costs, governments and providers can ensure all residents—regardless of location, care needs or income—have access to modern, safe, and comfortable accommodation. With targeted changes, such as using realistic cost-of-capital benchmarks and introducing tiered supplements, government can promote investment in both metropolitan and remote areas, bridging gaps and fostering innovation.