



Residential Aged Care Accommodation Pricing Review

November 2025

About The Salvation Army

The Salvation Army is an international Christian movement with a presence in more than 130 countries. Operating in Australia since 1880, The Salvation Army is one of the largest providers of social services and programs for people experiencing hardship, injustice and social exclusion.

The Salvation Army Australia provides more than 1,000 social programs and activities through networks of social support services, community centres and churches across the country.

Programs include:

- Financial counselling, financial literacy and microfinance
- Emergency relief and related services
- Homelessness services
- Youth services
- Family and domestic violence services
- Alcohol, drugs and other addictions
- Chaplaincy
- Emergency and disaster response
- Aged care
- Employment services

As a mission-driven organisation, The Salvation Army seeks to reduce social disadvantage and create a fair and harmonious society through holistic and person-centred approaches that reflect our mission to share the love of Jesus by:

- Caring for people
- Creating faith pathways
- Building healthy communities
- Working for justice

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

Further information about The Salvation Army can be accessed at: <

<https://www.salvationarmy.org.au/>>

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Our commitment to inclusion

The Salvation Army Australia acknowledges the Traditional Owners of the land on which we meet and work and pay our respect to Elders, past, present and future.

We value and include people of all cultures, languages, abilities, sexual orientations, gender identities, gender expressions and intersex status. We are committed to providing programs that are fully inclusive. We are committed to the safety and wellbeing of people of all ages, particularly children. Our values are:

- Integrity
- Compassion
- Respect
- Diversity
- Collaboration

The Salvation Army is a worldwide movement known for its acceptance and unconditional love for all people. We love unconditionally, because God first loved us. The Bible says, “God so loves the world” (John 3:16, RGT). As both a church and charity, we believe all people are loved by God and are worthy of having their needs met. Everyone is welcome to find love, hope, and acceptance at The Salvation Army.

The Salvation Army Australia Territory wishes to acknowledge that members of the LGBTIQ+ community have experienced hurt and exclusion because of mixed comments and responses made in the past. The Salvation Army is committed to inclusive practice that recognises and values diversity. We are ensuring our services affirm the right to equality, fairness, and decency for all LGBTIQ+ people, rectifying all forms of discriminatory practice throughout the organisation.

We seek to partner with LGBTIQ+ people and allies to work with us to build an inclusive, accessible, and culturally safe environment in every aspect of Salvation Army organisation and services. Everyone has a right to feel safe and respected.

Learn more about our commitment to inclusion: salvationarmy.org.au/about-us



Executive summary

The Salvation Army welcomes the opportunity to provide this submission to the Department of Health, Disability and Ageing (the Department) in relation to the independent Residential Aged Care Accommodation Pricing Review (the Review).

In this submission, The Salvation Army draws from our experience providing residential aged care services to a high proportion of residents of low means nationally. Across our 19 aged care sites:

- approximately 53 per cent of residents are fully or partially supported;
- 17 sites (89 per cent) have greater than 40 per cent of residents receiving full or partial support; and
- three sites provide specialised homelessness residential aged care services.

The Salvation Army believes that all people, regardless of income or wealth, deserve to live with dignity. It is essential that aged care residents of low means have access to high quality accommodation and that all residents receive equitable outcomes, regardless of their geographical location or how their accommodation costs are met.

This submission covers:

- Accommodation Supplement adequacy for regional services and providers with a high proportion of supported residents;
- sustainability and capital reinvestment to ensure compliance with modern design principles and community expectations; and
- the importance of retaining Refundable Accommodation Deposits (RAD) and Refundable Accommodation Contributions (RAC) as payment options for residents who are required to pay some, or all, of their accommodation costs.

The Salvation Army has made 7 recommendations for the Independent Panel to consider. A summary of these recommendations follows on the next page.

Summary of recommendations

Recommendation 1

1.6 The Salvation Army recommends that the base rate of the Accommodation Supplement be increased to reflect full cost recovery.

Recommendation 2

1.7 The Salvation Army recommends a tiered approach to the Accommodation Supplement for services:

- *in regional locations; and*
- *where the proportion of supported residents exceeds 50 per cent.*

Recommendation 3

1.9 The Salvation Army recommends that services that are newly built or have been determined as significantly refurbished be eligible for the Higher Accommodation Supplement for a minimum period of 15 years.

Recommendation 4

1.15 The Salvation Army recommends that the Accommodation Supplement rates be set at a level sufficient to account for life cycle capital expenditure and future investments in significant refurbishment.

Recommendation 5

2.3 The Salvation Army recommends that the MPIR-GIC equivalence mechanism be replaced with a WACC-based or hybrid model that is reviewed on a 3-year or 5-year rolling average to reduce volatility.

Recommendation 6

2.6 The Salvation Army recommends that the equivalence mechanism remain as a single point of equivalence.

Recommendation 7

2.12 The Salvation Army recommends that RADs are retained as the default payment type.

1 Accommodation Supplement for Supported Residents

- 1.1 The Salvation Army is committed to supporting Australians experiencing disadvantage in their time of need and this commitment underpins the delivery of our residential aged care services.
- 1.2 Across Australia, The Salvation Army operates 19 residential aged care facilities, delivering care to approximately 1,550 residents. Around 53 percent of residents in Salvation Army Aged Care receive full or partial support, and 89 per cent of our facilities (17 in total) care for greater than 40 per cent supported residents. Three of our facilities provide specialist homelessness residential aged care where the percentage of supported residents ranges from 68 per cent to 80 per cent. Quality aged care accommodation, regardless of location, circumstances, or how accommodation is paid, is vital to ensure equitable outcomes for Australia's ageing population.¹

Questions 1 & 2 – Outline how you think the Accommodation Supplement could be reformed to ensure quality accommodation for residents of low means. Should the value of the Accommodation Supplement be universal or tiered such as by location or proportion of residents or other basis?

- 1.3 Our data shows that the Accommodation Supplement can be insufficient to cover the cost of delivering accommodation in regional locations (where the Modified Monash Model (MMM) classification exceeds 3), as well as where supported residents make up a high proportion of all residents. Across our 19 facilities, the average accommodation cost per bed day exceeds the average accommodation revenue per bed day.
- 1.4 Any reform to the supplement should reflect actual cost data. For residents of low means to continue having access to sustainable quality accommodation, the supplement must provide for full cost recovery. To facilitate this, a tiered model is essential. Cost structures vary substantially by location and supported resident ratio. For example, services with greater than 70 per cent supported residents can experience losses exceeding 30 per cent. A graduated uplift above the base supplement for services with high percentages of supported residents and an additional loading for regional locations could deliver more equitable accommodation outcomes.

¹ Australian Bureau of Statistics. (2020, December 17). *Twenty years of population change*. ABS. <https://www.abs.gov.au/articles/twenty-years-population-change>.

- 1.5 A possible approach could be an additional 10 per cent supplement for centres with a ratio of 50 to 70 per cent supported residents, increasing to a 20 per cent supplement for locations with greater than 70 percent supported residents. An additional regional loading of at least 10 per cent for sites operating in regional locations would acknowledge the often higher accommodation costs associated with these locations.

Recommendation 1

- 1.6 The Salvation Army recommends that the base rate of the Accommodation Supplement be increased to reflect full cost recovery.**

Recommendation 2

- 1.7 The Salvation Army recommends a tiered approach to the Accommodation Supplement for services:**
- in regional locations; and
 - where the proportion of supported residents exceeds 50 per cent.

[Question 3 – Should the Higher Accommodation Supplement be staggered over time so that as the accommodation facilities age the supplement is reduced \(with the full value payable again after a new renovation\)?](#)

- 1.8 The Salvation Army acknowledges the need to ensure that the Higher Accommodation Supplement (HAS) is meeting the policy intent of 'enhancing the quality and amenity of accommodation of care recipients'. It is important that any changes to the HAS do not unintentionally incentivise improvements more often than necessary. It is our view that a 15-year eligibility period would incentivise refurbishments with sufficient frequency.

Recommendation 3

- 1.9 The Salvation Army recommends that services that are newly built or have been determined as significantly refurbished be eligible for the Higher Accommodation Supplement for a minimum period of 15 years.**

Question 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?

1.10 The Salvation Army ethos of walking alongside people experiencing disadvantage underpins our service delivery for residents of low means. The current incentive structure alone is not sufficient to encourage providers to accept residents of low means. The single threshold of 40 per cent does not recognise the significantly higher costs met by providers with higher proportions of supported residents. Of our seven aged care sites where over 60 per cent of residents are supported residents, six currently report negative accommodation revenue. A tiered model, as considered in question 2, would better support inclusivity of residents of low means.

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

1.11 Reforming the supplement to further account for compliance with the National Aged Care Design Principles and Guidelines (2024)² and accessibility standards, and the benefits delivered to residents – such as increased room amenities, privacy and dementia-friendly design – could support an uplift in the quality of accommodation. Combining these reforms with tiered eligibility, would influence an equitable uplift in residential aged care accommodation quality for all residents, regardless of how their accommodation is paid.

Question 6 – Outline how the Accommodation Supplement pricing impacts on incentives for capital investment in residential aged care

1.12 Supplement reform must explicitly provide for capital renewal. Our data shows negative accommodation returns across 12 of 19 sites, which deters refurbishment and new projects. Without adequate capital recovery, providers cannot attract debt or equity investment.

1.13 This creates a risk that providers with a high proportion of supported residents may be unable to invest in major facility upgrades. This scenario may then also lead to providers being unable to qualify for the HAS and further diminish possibilities for improving the quality of accommodation for residents in the future.

² Seemann, N., Fuggle, L., Week, D., Westera, A., Morris, D., Loggie, C., Thompson, C., Fildes, D., Grootemaat, P., Lambourne, S., Goodenough, B., & Gordon, R. (2024). *National Aged Care Design Principles and Guidelines*. Commonwealth of Australia, Department of Health and Aged Care. https://www.health.gov.au/sites/default/files/2024-08/national-aged-care-design-principles-and-guidelines_0.pdf

Question 8 – To what extent are the current rates of the Accommodation Supplement sufficient to cover providers’ capital and operational costs relating to accommodation?

1.14 The current maximum Accommodation Supplement rate (HAS, where 40 per cent or more facility residents are supported) does not sufficiently cover the per bed day capital and operational accommodation costs at 10 of our facilities. The Accommodation Supplement also does not account for life cycle capital expenditure or financing costs. A sustainable rate must reflect both depreciation and an investment margin.

Recommendation 4

1.15 The Salvation Army recommends that the Accommodation Supplement rates be set at a level sufficient to account for life cycle capital expenditure and future investments in significant refurbishment.

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

1.16 Sites in regional locations (MMM 3–5) show 10 to 15 per cent higher costs. The increased costs of providing accommodation in these locations can be attributed primarily to smaller-scale service delivery and increased building and maintenance costs due to logistics and staffing. A regional supplement, as explored in question 2, should be applied to address these unavoidable cost differentials.

2 Pricing for Non-Supported Residents

- 2.1 Equitable aged care accommodation quality is underpinned by an alignment in incentives to deliver care to both supported and non-supported residents. Forty-seven per cent of The Salvation Army's aged care residents are non-supported and meet their accommodation costs through a mixture of payment mechanisms.

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

- 2.2 The Maximum Permissible Interest Rate (MPIR) equivalent to the annual rate of the General Interest Charge (GIC) does not align with real provider cost of capital. The MPIR's volatility can distort payment choice and create a mismatched revenue risk. The establishment of a weighted average cost of capital (WACC)-based benchmark range that is reviewed annually on a 3-year or 5-year rolling average would reduce volatility.

Recommendation 5

- 2.3 The Salvation Army recommends that the MPIR-GIC equivalence mechanism be replaced with a WACC-based or hybrid model that is reviewed on a 3-year or 5-year rolling average to reduce volatility.**

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?

- 2.4 Though a WACC-based equivalence range may better reflect the diverse WACC of each facility, employing an equivalence range could complicate comparison of service providers and reduce price transparency for older people and their families. For example, one operator might offer a room at a lower price but at a higher rate than another provider, complicating the comparison process to determine the most appropriate provider. A single uniform rate allows for more effective price comparison between providers.
- 2.5 A single rate also requires operators to adjust room rates to derive the cash flow they need. In turn, community members can more simply compare price and performance trade-offs between providers. Having a stable MPIR or WACC rate is important to achieve this outcome. Changes to the rate should occur at a predictable annual frequency to allow sufficient time for providers to review and implement any necessary changes to room pricing.

Recommendation 6

- 2.6 The Salvation Army recommends that the equivalence mechanism remain as a single point of equivalence.**

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?

- 2.7 The Salvation Army supports, in principle, the introduction of a mandated minimum accommodation payment to ensure that payments from non-supported residents do not fall below those received for supported residents. Such a measure would help prevent market distortions and promote greater equity in the quality and availability of residential aged care accommodation, regardless of how accommodation costs are funded.
- 2.8 However, it is important that any mandated minimum payment does not inadvertently limit access to quality accommodation for non-supported residents by increasing costs beyond affordability. To maintain fairness and affordability, eligibility for full or partial government support with accommodation payments should be reviewed concurrently with, and remain closely aligned to, any mandated minimum payment framework. This would ensure that the boundary between the two categories remains equitable and reflects contemporary cost-of-living conditions.

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

- 2.9 The MPIR should remain as a transparent and comparable mechanism to convert room price (RAD) to Daily Accommodation Payments (DAP). Introducing volatility in this mechanism serves neither the operator nor the consumer. For operators to preserve cash flow, room prices would need to be shifted to not be exposed to a lower DAP. For older people seeking residential aged care, this would likely create confusion and result in less equitable outcomes depending on the rate cycle.

Questions 17, 18 & 19 - Considerations for setting DAPs as the default payment type

- 2.10 The Salvation Army sees benefit in retaining RADs as the default payment type. RADs provide essential liquidity and capital certainty, enabling investment and de-risking development. Moving to DAP as the default payment type would increase reliance on short-term cash flow and external financing, heighten liquidity risk, and undermine capacity to fund refurbishments or new builds without government debt guarantees. RADs and DAPs should remain as mechanisms that are co-existing and based on consumer choice.
- 2.11 RADs are an established and familiar concept among both consumers and supporting professionals, including financial advisors. Sufficient knowledge and resources exist in the market and are available to older people and their families to facilitate productive comparison between providers and payment types. Although using DAPs as the default accommodation pricing may deliver a greater level of convenience for prospective residents and their families, doing so could foreseeably have negative impacts upon the provision of aged care.

Recommendation 7

2.12 The Salvation Army recommends that RADs are retained as the default payment type.

3 Conclusion

- 3.1 The Salvation Army thanks the Department of Health, Disability and Ageing for the opportunity to provide a written submission.
- 3.2 The Salvation Army would welcome the opportunity to discuss the content of this submission should any further information be of assistance. Further information can be sought from government.relations@salvationarmy.org.au.

The Salvation Army Australia Territory

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