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## Accommodation payment changes from 1 November 2025

By Sean Howard, Technical Services Manager

As part of the aged care reforms, there will be changes to accommodation payments for residential care from 1 November 2025. Aged Care facilities will deduct retention amounts from lump sum accommodation payments and daily accommodation payments will be indexed.

In this month's article we will look at the changes to accommodation payments for new residents and the grandfathering provisions for existing residents. We will use examples to demonstrate how the amount paid for accommodation will be determined from 1 November 2025.

On 4 June 2025, the Government announced that the commencement of the new Aged Care Act will be deferred until 1 November 2025. The new commencement date is not yet law however, this article assumes the Governor General will approve the deferral from 1 July 2025.

### Means testing for accommodation

Individuals who enter residential care from 1 November 2025 will continue to be classified as 'low means' or 'accommodation payment resident' depending on their means. Their means will be determined by comparing their means-tested amount to the maximum accommodation supplement at entry.

Individuals will be classified as 'low means' if their means tested amount is less than the maximum accommodation supplement at entry. 'Low means' residents may have to pay an accommodation contribution determined by their means which is recalculated monthly.

Individuals will be classified as an 'accommodation payment' resident if their means tested amount is equal to or greater than the maximum accommodation supplement at entry. 'Accommodation payment' residents will have to pay an accommodation payment based on the advertised price.

For further information on means testing, see June 2025 Challenger Tech article "[Hotelling Supplement Contribution and Non-Clinical Care Contribution - what you need to know for change of fees from 1 November 2025](#)".

## Accommodation payment options

Accommodation can still be paid as a lump sum, daily payments or a combination of lump sum and daily payments from 1 November 2025. Where accommodation is paid as a combination of lump sum and daily payments, the daily payments can be deducted from the lump sum.

**'Low means' residents have the option of paying for their accommodation as:**

- a lump sum referred to as a refundable accommodation contribution (RAC);
- daily payments referred to as a daily accommodation contribution (DAC); or
- a combination of lump sum and periodic payment.

**'Accommodation payment' residents have the option of paying for their accommodation as:**

- a lump sum referred to as a refundable accommodation deposit (RAD);
- daily payments referred to as a daily accommodation payment (DAP); or
- a combination of lump sum and periodic payment.

The outstanding lump sum is converted to the equivalent daily payment using the maximum permissible interest rate (MPIR). The MPIR is set at entry and will remain the same unless the resident changes aged care facilities. The MPIR is currently 8.17% per annum<sup>1</sup>.

**$(\text{Lump sum} \times \text{MPIR}) / 365 = \text{Equivalent daily payments}$**

DACs for low means residents cannot exceed the equivalent daily payments for the advertised accommodation price from 1 November 2025. Currently DACs are only capped by the means-tested amount and the accommodation supplement payable to the aged care facility.

Aged care facilities still cannot accept a lump sum within 28 days of entry that will leave the individual with less than the minimum permissible asset amount from 1 November 2025. The minimum permissible asset amount is currently \$61,500<sup>2</sup>.

## Retention amounts

Retention amounts will be deducted from RACs and RADs for new residents from 1 November 2025. Retention amounts will be calculated daily on the RAC/RAD balance at 2% per annum.

Retention amounts cannot be deducted more than once per month or after five years from the date a RAC/RAD was first paid. If the resident pays a RAC/RAD to an aged care facility and then changes to another aged care facility, the five years will not restart.

Any amounts deducted from the RAC/RAD balance, including retention amounts, will reduce the balance on which subsequent retention amounts are calculated.

Any additional amounts paid as a RAD will increase the balance on which subsequent retention amounts are calculated.

Retention amounts deducted from the RAC/RAD balance will not increase the outstanding lump sum accommodation payment therefore, will not increase the DAC/DAP.

DACs for low means residents cannot exceed the equivalent daily payments for the advertised accommodation price from 1 November 2025.

Retention amounts deducted from the RAC/RAD balance will not increase the outstanding lump sum accommodation payment therefore, will not increase the DAC/DAP.

<sup>1</sup> Rates as at 1 April 2025.

<sup>2</sup> Thresholds as at 20 March 2025.

## Example

Henry enters residential aged care on 1 December 2025 and is assessed as an 'accommodation payment' resident. The agreed accommodation price for the room is \$500,000 and Henry pays \$300,000 as a RAD. The aged care facility deducts retention amounts on the 28th of every month.

### December 2025 retention amount:

$$\$300,000 \times 2\%/365 \times 28 = \$460.27$$

### RAD balance after retention amount is deducted:

$$\$300,000 - \$460.27 = \$299,539.73$$

### January 2026 retention amount:

$$\$299,539.73 \times 2\%/365 \times 31 = \$508.81$$

### RAD balance after retention amount is deducted:

$$\$299,539.73 - \$508.81 = \$299,030.92$$

Henry pays an additional \$100,000 as a RAD on 1 December 2026 which will increase his RAD balance after retention amounts are deducted to \$394,086.96 (\$294,086.96<sup>3</sup> + \$100,000).

### December 2026 retention amount:

$$\$294,086.96 \times 2\%/365 \times 2 + \$394,086.96 \times 2\%/365 \times 28 = \$636.86$$

### RAD balance after retention amount is deducted:

$$\$394,086.96 - \$636.86 = \$393,450.10$$

## DAP indexation

DAPs will be indexed in line with changes to the consumer price index (CPI) for new residents from 1 November 2025. DAP index numbers which change in line with CPI will be used to index DAPs.

DAP index numbers will be published on 20 March and 20 September and compared to the DAP index number at entry to determine the DAP indexation factor. The DAP index number at entry will be the most recent DAP index number published prior to entry. The DAP index number for 20 March 2025 has been provided in Chapter 9 of the draft Aged Care Rules 2025 as 1.0<sup>4</sup>.

Published DAP index number / DAP index number at entry = DAP indexation factor

The DAP indexation factor will be multiplied by the DAP at entry to determine the indexed DAP. Any amounts deducted from the RAD balance, excluding retention amounts, will increase the DAP for the calculation of subsequent indexation. Any additional amounts paid as a RAD will reduce the DAP for the calculation of subsequent indexation.

DAP at entry x DAP indexation factor = Indexed DAP

The DAP indexation factor will be multiplied by the DAP at entry to determine the indexed DAP.

## Example

Henry enters residential aged care on 1 December 2025 and is assessed as an 'accommodation payment' resident. The agreed accommodation price for the room is \$500,000 and Henry pays \$200,000 as a DAP. The assumed MPR on 1 December 2025 is 8.17% and the assumed DAP index number published on 20 September 2025 is 1.015.

### DAP on 1 December 2025:

$$\$200,000 \times 8.17\% / 365 = \$44.77 \text{ per day}$$

Assumed DAP index number published on 20 March 2026 is 1.036

### DAP indexation factor:

$$1.036 / 1.015 = 1.207$$

### Indexed DAP on 20 March 2026:

$$\$44.77 \times 1.207 = \$45.70 \text{ per day}$$

<sup>3</sup> RAD balance after November 2026 retention amount is deducted.

<sup>4</sup> [Draft Aged Care Rules – Release 4a | Australian Government Department of Health and Aged Care.](#)

Assumed DAP index number published on 20 September 2026 is 1.045

**DAP indexation factor:**

$$1.045 / 1.015 = 1.0296$$

**Indexed DAP on 20 September 2026:**

$$\$44.77 \times 1.0296 = \$46.10 \text{ per day}$$

Henry pays an additional \$100,000 as a RAD on 1 December 2026 which will reduce the amount he pays as a DAP to \$100,000 (\$200,000 - \$100,000).

**DAP on 1 December 2026 after additional RAD:**

$$\$100,000 \times 8.17\% / 365 = \$22.38 \text{ per day}$$

**Indexed DAP on 1 December 2026 after additional RAD:**

$$\$22.38 \times 1.0296 = \$23.05 \text{ per day}$$

## **Grandfathering existing residents**

Grandfathering arrangements for aged care residents will be separated into accommodation payments and ongoing costs. Existing residents on 31 October 2025 will be grandfathered for accommodation payments and ongoing costs.

Grandfathered aged care residents can elect to cease grandfathering for ongoing costs at any time after 1 November 2025. Those who elect to cease grandfathering for ongoing costs and then change to another aged care facility will also lose grandfathering for accommodation payments.

Grandfathered aged care residents who cease accessing residential care for more than 28 days after 1 November 2025 will lose grandfathering for accommodation payments. They will still be grandfathered for ongoing cost unless they elect to cease grandfathering for ongoing costs.

Grandfathered home care recipients who enter residential care after 31 October 2025 will not be grandfathered for accommodation payments. They will still be grandfathered for ongoing costs unless they elect to cease grandfathering for ongoing costs.

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