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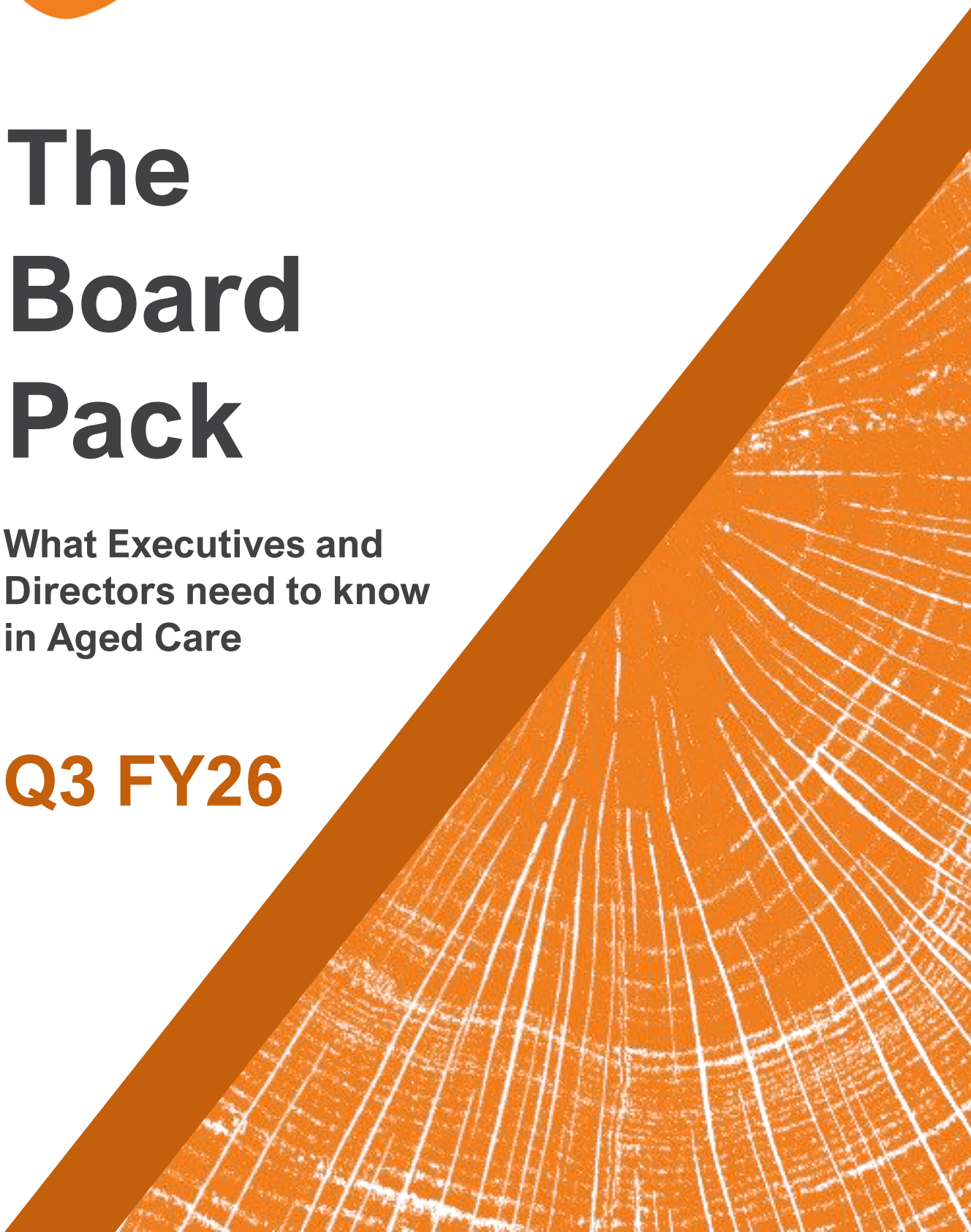
The Board Pack

What Executives and Directors need to know in Aged Care

Q3 FY26



Q2 Snapshot

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Regulation & Reform

In the past Quarter the Independent Review of Residential Aged Care Accommodation Pricing was released detailing 18 recommendations to Government to address residential aged care accommodation supply, quality, pricing and equity.

The Federal Budget 2026-27 was announced 12 May 2026 which included a $3.7 billion investment in aged care to support “more beds, more packages and better care” for older Australians. This included initial responses to some of the recommendations made in the Accommodation Pricing Review.

The inaugural Aged Care Act 2024 Wait Times Report gives the first official insight into how long older Australians are waiting to access aged care services. For both residential aged care and support at home, wait times are significant. Despite some efforts to reduce pressure, the real impact of sector capacity constraints is being felt by older Australians across the Nation.

Workforce

Care minutes remain an area of ongoing focus for providers.

There was an overall increase in care minute compliance since last quarter (up 7%). However, approximately one third of residential aged care providers in MM1 areas did not meet both care minute targets in the October quarter and therefore would be ineligible to receive the maximum care minutes supplement in the April – June Quarter 2026.

Funding & Finance

Quarterly Residential Aged Care and Support at Home financial performance fell in Q2 of FY26 largely due to increased direct care costs (residential care) and the ongoing impact of the removal of package management fees and establishment of care management fee caps (support at home).

The delay of service pricing caps has provided some interim breathing room for support at home providers as the new system becomes embedded.

RAC occupancy climbs toward full capacity as demand escalates.

Operations & Compliance

In this Board Pack, we unpack the unintended consequences of increasing regulatory compliance burden and the over-clinicalisation of residential aged care.

As providers respond to more compliance measures than ever, models of care, workforce capability, and utilisation require continued recalibration to support wellbeing and enable older Australians to thrive.

Mergers and Acquisitions

Continuing in trend from the previous quarter, it has been another busy quarter for growth planning particularly for mergers and acquisitions. In this pack, we have highlighted some of the key transactions that have occurred in the sector over the past quarter.

Market Forces and Unintended Consequences

The introduction of the new legislation has produced mixed responses from a sector that has largely been in a holding pattern since the Royal Commission kicked off 8 years ago. This quarterly Board Pack reveals deepening losses in both residential aged care and support at home. The Federal Budget presented some funding improvements for supported residents, but the full effect of mandated staff minutes has yet to be fully absorbed and we anticipate that losses will compound in the year to come.

Despite this, we have seen a growing appetite from investors in residential aged care portfolios, with the record levels of M&A activity. Ansell Strategic supported Bain Capital in its divestment of Estia for $2.5b and we have been inundated with smaller acquisitions listed in this report. As margins tighten and supply remains highly constrained, those left standing post consolidation can expect to have much greater command over pricing as State and Federal Governments grapple with mounting pressure on the hospital system.

All this excitement does little to address the supply problem however, and falling sector profitability has seen the lowest level of investment in new homes at a time we desperately require it. Most of our recent work in capital development focuses on retirement living assets, capitalising on high demand and reasonably strong property markets. The colocation of villages with residential aged care is often viewed as a loss leader and, in many of our redevelopment projects, the scale of residential aged care services is being reduced in favour of higher yielding accommodation. This has the effect of modernising residential aged care infrastructure while reducing overall supply.

More concerningly, the incentives to encourage investment are strongly weighted towards services that accommodate people with financial means (RADs, DAPs, HELF and retentions). The Federal Budget announced only modest increases to the supported resident supplement, providing limited incentive to accommodate the needs of financially disadvantaged residents. Our research in New Zealand demonstrates the serious economic and social consequences of underfunding this market segment and highlights the risks of allowing funding settings to drift too far from the underlying cost of care - New Zealand Aged Residential Care Financial performance Study.

Accompanying the ageing population is the progressive retirement of the Australian taxpayer base. We are starting to see the early signs of the productivity strains and generational transfer of wealth highlighted in the first Intergenerational Report released in 2002. These demographic pressures have been evident for decades, but the financial impact is now shifting from theory to reality.

In this report, we highlight the unintended consequences of the Care Minutes reform. It has an enormous influence on both consumer outcomes and economic viability. While the policy intent was understandable, its implementation is increasingly influencing provider behaviour in ways that were not anticipated, reshaping workforce models, operating performance, capital allocation and investment decisions across the sector. It also represents one of the greatest opportunities to improve both the quality and sustainability of aged care if these settings can be refined over time.

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Regulation & Reform

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Independent Review of Residential Aged Care Accommodation Pricing

The final Independent Review of Residential Aged Care Accommodation Pricing Report (the Review) was released in April 2026. It was established to assess whether existing accommodation funding and pricing arrangements remain fit for purpose, balancing resident affordability and access with provider's financial sustainability.

The 18 recommendations seek to incentivise providers to admit low-means residents, increase investment in new and refurbished supply, and enhance equity and transparency. We have summarised the key recommendations below as well as the Government's initial $1.7 billion response in the 2026-27 Budget on the following page.

Supply Quality and Quantity *(recs. 1 – 6)*

- A $2 billion per year interest free loan scheme for refurbished or new rooms targeting low means residents.
- New Home Payment of $30 per supported resident per day (PSRPD) for newly built residential aged care (RAC) homes.
- Significant Improvement Payment of $15 PSRPD for homes increasing supply of places by 40%+ **or** significantly refurbishing a home at risk of closure.
- Expansion of the Aged Care Capital Assistance Program (ACCAP) to at least $600 million per year, prioritising homes in MM 3-7, thin markets, and specialised services status.
- Federal government to work with State and Territory governments to streamline planning approvals and address shortages of suitably qualified RAC builders.
- Commission a census of RAC supply including appropriateness of stock, offline beds and expansion capacity.

Transparency *(recs. 17-18)*

- Development of a standardised consumer information booklet explaining accommodation pricing and payment options.
- Expansion of the Aged Care Specialist Officer (ACSO) and Financial Information Service (FIS) programs services for residents and families

Non-supported Pricing *(recs. 7 – 11)*

- Removal of the Maximum Permissible Interest Rate as the required rate between Refundable accommodation deposits (RADs) and daily accommodation payments (DAPs). Allow providers to set their own conversion rate to be published on My Aged Care.
- Shifting room price caps to be expressed as a maximum DAP rather than RAD.
- Simplify process to apply for prices above the maximum accommodation price, as well as removing the four year reapproval cycle for higher priced rooms.
- The Review explicitly recommends the Government should not introduce mandatory minimum room prices for non-supported residents.

Equity *(recs. 12 – 16)*

- Increase the base accommodation supplement by $5 per day.
- Increase the higher accommodation supplement by $5 per day and establish new rates into three tires based on the proportion of supported residents in the home.
- Additional $20 per day loading for homes with very high supported resident ratios (60% or more).
- Implement a supported ratio maintenance requirement for existing homes whereby this average ratio in the home does not fall below 5% the rate in FY25.

Regulation & Reform

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TOPIC	SUMMARY	ACTIONS

Government Budget Response to The Review	The Government's initial response to The Review has included:
	▪ $1.1 billion over four years provisioned for changes to the accommodation supplement including:
	  ○ From 20 March 2027, the maximum accommodation supplement payment rates will increase by up to $5 per resident per day (PRPD). New tiering will comprise a single base accommodation supplement rate and three tiers for the higher accommodation supplement (HAS), payable to homes with 0-29%, 30-39%, and 40+% supported resident ratios.
	  ○ From 20 March 2028, a new separate top up payment supplement of $20 PSRPD will be payable for homes that have a supported resident ratio of 60% or higher, payments will be available until 30 June 2036.
	▪ $348.4 million over four years for new targeted capital subsidies payable to residential care providers (not already receiving ACCAP funding for the relevant project) to fund:
	  ○ New homes with an additional $30 PSRPD.
	  ○ Expanding existing homes with an additional $15 PSRPD for homes that increase their bed numbers by at least 40%.
	▪ $33.8 million over four years to fund changes that will allow greater flexibility in setting RAC room prices. These changes aim to reduce uncertainty and increase confidence for investment. Consultation on the design of these changes will commence in mid-2026.
	While the Government's response addresses several of the key recommendations from the Review and should improve investment confidence over time, many of the measures are relatively modest and will not take effect until 2027 or later. At the highest qualifying level, the accommodation supplement still falls well short of a RAD/DAP equivalent and does not encourage immediate investment in beds for supported residents.
	With occupancy levels at record highs, wait times continuing to grow and new development activity remaining subdued, the sector's central challenge remains unchanged: stimulating sufficient investment in new supply to meet the needs of an ageing population.
		Assess:
		What accommodation supplement does your home qualify for?
		Do these changes make it more feasible to undertake refurbishment of some your homes to access the HAS?
		What do these changes mean for the feasibility of any new RAC projects you have been exploring?

Regulation & Reform

TOPIC	SUMMARY	ACTIONS
Aged Care Act 2024 Wait Times Report	The inaugural *Aged Care Act 2024 Wait Times Report* provides the first official insight into how long older Australians are waiting to access aged care services under the new Aged Care Act. It tracks the time between a person applying through My Aged Care and commencing services between 1 November 2025 and 31 March 2026. While the report emphasises that median wait times are considered a better representation of the typical experience (rather than average wait times), significant difference between the two highlights that some older Australians are waiting a very long time to receive care that the government has already assessed them as needing. Nationally, the median wait time from initial application through to commencement of aged care services was approximately 10 months, compared to an average wait of around 12 months. Wait times vary by State with Victoria recording the shortest median wait time (9 months), while Queensland recorded the longest (11 months). The average wait time for RAC was around 13 months compared to a median of 6 months. While Support at Home (SAH) wait times showed relatively little variation between the average and median, at 12 months and 11 months respectively, By service type, SAH has the longest median wait time, and the End-of-Life Pathway has the shortest at 15 days. The government has committed to reducing the SAH wait times to no more than 90 days by July 2027. However, as detailed below, wait times are not yet reducing. As we note extremely high occupancy levels in RAC and a known and growing lack of SAH packages to meet demand, the need for investment in sector capacity continues to be a critical issue affecting older Australians who need care.	**Consider:** How is your organisation monitoring regional and service-specific wait time trends to identify emerging demand pressures and future capacity requirement?
Support at Home Package Waitlist	The latest Support at Home Program Data Report (Q3 FY26) showed that over 364,000 older Australians have access to an ongoing SAH place, with over 338,000 actively receiving care and a further 26,000 considering uptake of an allocated place. The waitlist did increase by 6% from December 2025 and remains high, with almost 100,200 people waiting for a funding allocation at their approved SAH classification or transitioned Home Care Package level. While urgent and high-priority participants are generally receiving funding within one to two months, medium and standard priority wait times remain materially longer at approximately six to eight months. Despite 60,700 granted approvals for ongoing services and the release of 79,100 ongoing places Nationally, wait times have not changed from December 2025 and remain a persistent challenge.	**Assess:** What avenues are you exploring / offering to assist clients who are waiting on SaH funding allocation?

Regulation & Reform

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TOPIC	SUMMARY	ACTIONS
Designing Culturally Safe Aged Care Homes	A complementary resource to the *National Aged Care Design Principles and Guidelines*, was released this quarter and provides practical guidance for designing culturally safe aged care environments in partnership with Aboriginal and Torres Strait Islander people. It is structured around three core principles, Country and Island Home, Culture, and Community, each supported by a set of flexible design considerations for achieving the values embedded in the principle. Applicable to both redevelopments and new builds, the resource presents an opportunity for aged care providers to rethink how design and infrastructure can better support cultural safety. It highlights the importance of embedding cultural values into all aspects of the environment, from spatial layout to furnishings, to create spaces that are culturally safe, trauma-aware and healing informed for both residents and staff.	**Consider:** Does your organisation have any plans for redevelopments or new developments? Have you considered how the designs could be aligned with the principles to create culturally safe aged care home environment?

Example

Operations & Compliance

The Risk of "Over-Clinicalisation" in Aged Care

Post-Royal Commission reforms, providers have invested in strengthening safety, oversight, and clinical governance across aged care, and rightfully so. But amidst this transformation, an increasingly important question is beginning to emerge; *In our pursuit of safety and compliance, are we unintentionally creating environments that feel more clinical than lived-in*?

This is not a question of whether compliance matters. It absolutely does. Consumers and regulators expect providers to deliver safe, high-quality care supported by capable clinical systems and strong oversight. However, our nurses are increasingly observing operational tension between funding clinical care and wellbeing. This tension is seeing the rise in unintentionally institutional, task-driven environments that diminish the resident experience. In many cases, routines have become so operationally rigid that personal preference has become an inconvenience. For example, staff assisting with tasks residents can still do themselves without questioning why, is it "faster?" or "safer?". We have observed teams becoming so task-oriented that compliance, reporting, and audit expectations crowd out genuine human connection.

What happens when the systems designed to keep residents safe slowly dismantle the very things that make life meaningful: identity, purpose, autonomy, and connection?

Providers are not choosing clinical models over wellbeing out of indifference. They are responding rationally to a system that is fragile under pressure and that is further compounded by higher acuity admissions, rising dementia numbers, and funding penalties for non-compliance with care minute targets. Since April 2026, up to $33.41 PRPD is at risk for metropolitan homes missing care minute targets. Only 66% of providers met both targets in Q2.

This is not an argument against compliance. It is a challenge to stop treating compliance as the destination and start treating it as the floor. The path forward requires a genuine shift from traditional operating models built around compliance and legacy funding tools to contemporary wellbeing models in which clinical governance is the foundation and older people are not simply cared for, but genuinely able to live.

For boards and executives, three practical levers can begin to close the gap between traditional models and wellbeing models:

1. **Redesign Your Operating Model:** Move from compliance-centred structures to models where wellbeing outcomes sit alongside clinical key performance indicators. If your structure only measures what gets audited, that is all your teams will deliver.
2. **Rethink Workforce Utilisation:** Shift from task-driven delivery to wellbeing-led engagement. Rethink rosters, role designs, workflows, and how care minutes are spent, not just whether they are met. Research from Curtin University shows that workforce redesign reduces time pressure and emotional demands, even without additional headcount.
3. **Invest In Workforce Capability:** With dementia prevalence rising, resident acuity increasing, and consumer expectations growing, frontline staff need the skills and confidence to respond to changed behaviours, support reablement, and build genuine relationships, not just complete routine task lists.

When we look back at this era of reform, will we say we built a system that enabled compliance or one that helped people thrive, with purpose, connection, and autonomy? The providers who recognise that difference will define the next era of aged care.

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Funding & Finance

The Quarterly Financial Report (QFR) for Q2 FY26 has not been released at the time of this report. Therefore, the following updates pertain to the most recent Stewart Brown survey which shows an overall reduction in financial performance of the RAC sector since Q1 FY26, a continuing trend since Q3 FY25.

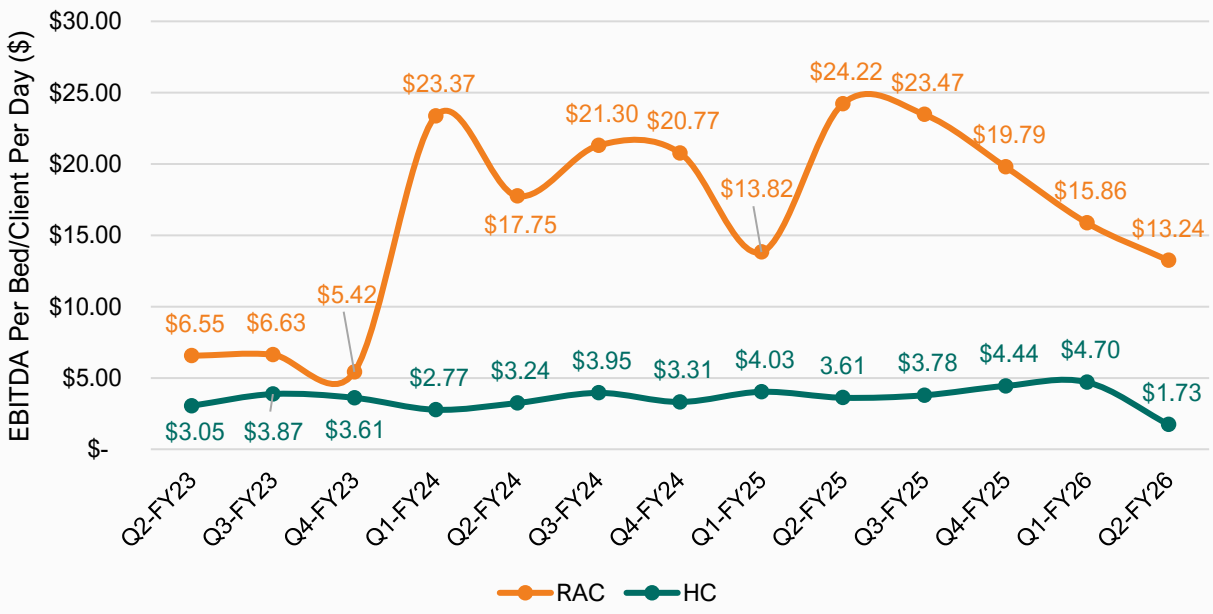
Residential Aged Care

StewartBrown's December 2025 survey shows a YTD EBITDA of $13.24 PRPD for the first half of FY26, down from $15.86 PRPD in Q1 FY26 and $19.79 PRPD for the full FY25 year. The primary driver of declining performance is direct care labour costs, which rose 13.68% year-on-year to $248.65 PRPD, as providers increasingly seek to meet care minutes requirements, particularly as they are now aligned to the AN-ACC supplement. Revenue uplifts from the AN-ACC base price increase on 1 October 2025 have not been sufficient to offset this cost growth.

The sector delivered an average of 221.68 total direct care minutes PRPD in the December 2025 period, with RN minutes averaging 44.06, both marginally above target. Agency usage declined from 4.8% to 4.0% of total direct care minutes, with higher costs driven by the Fair Work Commission wage increases and inflation adjustments. The care minutes supplement changes effective since 1 April 2026 will impose funding penalties on providers not meeting their targets.

In line with national demand pressures, occupancy for mature homes reached 95% in December 2025, up from 94% at December 2024.

StewartBrown EBITDA PRPD/PCPD for RAC and Home Care, FY23 – FY26 (YTD)



Funding & Finance

Support at Home

The StewartBrown survey provides the first financial results under the SAH program, which commenced 1 November 2025. The sector average YTD EBITDA was $760 per client per annum, with the operating margin declining to 1.7% of revenue from 4.4% for FY25, a level that is significantly impacting investment in the sector.

The removal of package management fees and the 10% cap on care management fees have changed the revenue model, with providers now dependent on service pricing to recover the majority of overhead and administrative costs. As detailed in our last Board Pack, and evident in the Department's recent publication on national SAH prices for services (Nov – Dec 2025), providers have been increasing service prices far beyond indicative pricing schedules set out by the Department of Health and Aged Care (DOHAC).

The StewartBrown survey result reinforces this, reporting an increase of approximately 38% for average service prices from June 2025 levels. However, during the same period, package utilisation has declined to 85% from approximately 90% in the prior quarter. This is partly driven by greater co-contributions required as well as the release of interim packages by the Government at 60% of full value.

On 19 May 2026, less than two months before the price caps on SAH services were scheduled to come into effect (1 July 2026), the DOHAC announced plans to delay the implementation.

The Independent Health and Aged Care Pricing Authority (IHACPA) released its Support at Home Pricing Advice 2026-27 and Support at Home Cost Collection 2025 Final Report at the end of May 2026. This reinforced prior findings showing that key services pricing is generally higher than the indicative prices released in October 2025, as shown in the table below.

The delay on SAH pricing caps will give providers some more breathing room to better understand their cost and pricing frameworks as the SAH program matures, and the recent report from IHACPA provides more clarity on possible pricing for various services. ***For Boards, ensuring that current service pricing reflects the true cost of delivery and is sufficient to sustain financial viability under the new model is a key consideration.***

Service Type	Indicative SAH prices Oct 2025 (median)	SAH prices Nov to Dec 2025 (median)	IHACPA 2026-27 Pricing Advice (normal working hours, rounded)
Registered Nurse	$160	$180	$185
Enrolled Nurse	$140	$145	$172
Care Management	$120	$120	$118
Personal Care	$100	$115	$103
Respite	$99	$130	$111
Domestic Assistance	$96	$110	$112
Home Maintenance	$103	$118	$119
Meal Preparation	$97	$100	$115

Funding & Finance

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TOPIC	SUMMARY	ACTIONS
Federal Budget 2026	As detailed on Page 5, the 2026-27 Federal Budget was released 12 May 2026 which included a significant $3.7 billion investment in aged care to support “more beds, more packages and better care” for older Australians. Key aged care budget measures include: **Residential Aged Care Supply & Equity of Access** As detailed previously, measures to improve RAC supply and equity of access. Other key measures include: ▪ $1.7 billion to incentivise construction of up to 5,000 new RAC beds annually. ▪ $606 million in new capital subsidies for providers building or expanding RAC accommodation. **Support at Home** ▪ $1 billion will be committed to improve personal care services in the SAH program, removing copayments. ▪ $390 million funding for program refinements, including for assessments, hardship applications, end of life pathway, and bringing forward the release of packages to the 26/27 financial year. However, the number of packages brought forward was not disclosed. **Dementia Care** ▪ $224 million funding for dementia specific support, including 20 new Specialist Dementia Care Program units and expansion of the Hospital to Aged Care Dementia Support Program nationally. **Better care for older Australians** ▪ $565.1 million will be delivered to strengthen regulatory, governance and quality arrangements, sector viability and workforce supports to provide better aged care for older Australians. **Some of these measures above are intended to be partly funded by the removal of the higher Private Health Insurance (PHI) rebate for people aged 65 years and over which has received criticism. As described in the Reform commentary earlier in this report, the initiatives represent a recognition of the growing strain in aged care and the broader healthcare system, but are unlikely to structurally impact the critical issue of under-supply.**	**Monitor:** How do changing government policies affect your organisation? Is there opportunity to leverage changes to enhance operational sustainability?

Workforce

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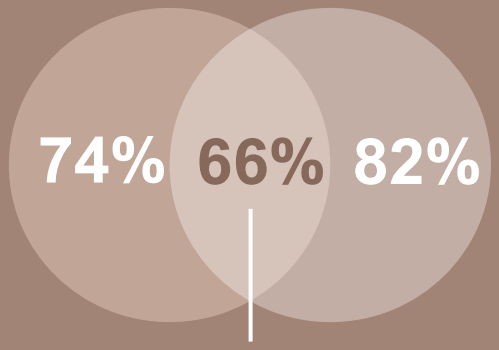
CARE MINUTE REQUIREMENTS Q2 2026



of services met their total care minutes target

of services met their RN care minutes target

of services met both care minutes targets

6% from Q1

CARE MINUTES Q2 2026

221.38 average total care minutes delivered

0.72 minutes from Q1

47.37 average RN care minutes delivered

0.56 minutes from Q1

As reflected in the latest Department data, approximately **32% of RAC providers in MM1 areas did not meet both care minute targets in the October quarter** and therefore would be ineligible to receive the maximum care minutes supplement as of 1 April. However, there was a 7% improvement from the previous quarter. As the supplement is calculated using care hours reported in the QFR two quarters earlier, performance in October – December 2025 directly impacts funding received in April – June 2026.

Sector-wide performance improved in Q2 FY26, with average total care minutes delivered increasing to 221.38 minutes per resident per day. Approximately 74% of services met at least one care minute target during the quarter, representing a 7% improvement from Q1 FY26.

Average RN minutes delivered also exceeded aggregate sector requirements, with providers delivering 47.37 minutes against the target of 44.06 minutes.

Overall, 66% of providers achieved compliance with both care minute targets in Q2 FY26, up from 60% in the previous quarter, demonstrating sector adaptation to the compliance framework.

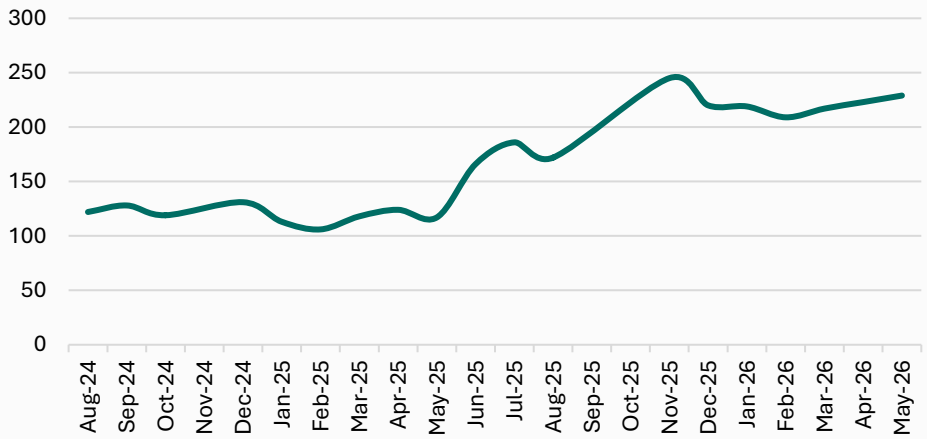
Providers should review workforce allocation, rosters and skill mix to ensure RN and total care minute targets can be sustainably achieved and maintained.

**As reported in the Department's Care Minutes Dashboard for October to December (Q2), Published April 2026*
Comparisons note the change from figures published in the previous quarter
Sources: Registered Nurse Coverage in Residential Aged Care Dashboard, Published March 2026

Mergers & Acquisitions

TOPIC	SUMMARY
NOTABLE TRANSACTIONS THIS QUARTER	Ansell Strategic's annual Deal Tracker publication details transaction activity across Q4 FY25 and Q1 FY26, alongside our observations about transaction trends, success factors and key learnings from recent transactions.

Number of RAC Homes with a Transfer of Ownership Status on MyAgedCare[1]



Notable recent transactions this past quarter include:

- **Stonepeak, in partnership with Abu Dhabi-based co-investor Axight, has agreed to acquire Estia Health from Bain Capital in a transaction reported at approximately $2.5 billion.** Ansell Strategic advised Bain and completion is expected in the second half of 2026.
- **Four Queensland-based Bolton Clarke aged care homes sold freehold to Clarence Property Fund for a combined $90.2 million OpCo/PropCo transaction.** The homes were formerly owned by McKenzie Aged Care which sold to Bolton Clarke three years ago. Each home has a 25-year triple net lease, with options to extend with Bolton Clarke as the operator.
- **Anglicare Sydney has acquired Infinite Care.** Ansell Strategic advised on the transaction in which Anglicare is taking on both Infinite Care and the Autumn Aged Care portfolio.

[1] Data sourced from MyAgedCare and may not reliably include all transactions. Reporting periods may vary from actual announcement and completion dates. Data represents total homes labelled as transfers for up to 12 months after the transaction occurs, not just transfers occurring in the latest month.

Mergers & Acquisitions

TOPIC	SUMMARY
NOTABLE TRANSACTIONS THIS QUARTER	▪ **Stonepeak has invested up to $1 billion in Queensland-based retirement village developer and operator Aura Holdings, taking a 50% stake in the business.** Aura currently operates six completed villages with nearly 800 units across South East Queensland. ▪ **Estia Health has acquired three Victorian homes from family-owned operator Norsan.** ▪ **Opal HealthCare has acquired Melbourne-based Bethel Aged Care, as well as Sydney's Greenwich Place.** ▪ **Annerley Group has acquired the freehold of Highfields Manor in Port Macquarie, for $17.8 million in an off-market transaction.** ▪ **Not-for-profit provider Mecwacare has acquired Maryborough Schoolhouse Village in Victoria**. ▪ **BaptistCare has acquired two retirement villages in the NSW Southern Highlands from Presbyterian Aged Care.** ▪ **Arcare has acquired a 9,871 sqm development site in Townsville, Queensland, where it plans to deliver a new 105-bed RAC facility.** ▪ **Hall & Prior has made its first aged care investment in southeast Queensland acquiring the** co-located Sir James Terrace Aged Care. ▪ **Roshana Care has acquired Hunter Valley Care and its three Newcastle region NSW homes,** this has taken the operator to 20 homes nationally**.**

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Looking for more?

Contact us at the details below to discuss how we can help

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