

Residential aged care

How the new Aged Care Act will affect what you pay for



Clinical care, such as nursing or physiotherapy, will be **fully funded** by the Australian Government under the new Aged Care Act, which comes into effect on 1 November 2025.

However, older people with income or assets above government-set thresholds may be required to pay more for their everyday living and non-clinical care services. Accommodation charges, such as the refundable accommodation deposit (RAD) and daily accommodation payment (DAP), will also increase.

What's not changing

- The treatment of an older person's home under the aged care asset test.
- The Basic Daily Fee (BDF), which is set at 85% of the base rate of the single age pension. Everyone pays the BDF.
- Eligibility for government support with accommodation costs.
- Financial hardship assistance (via Services Australia).

Resident contributions

The new Aged Care Act introduces means-tested contributions for:

- everyday living services such as meals, cleaning and laundry (this is known as **hotelling contributions**)
- non-clinical care services, such as personal care, mobility assistance and lifestyle activities.

These contributions will apply to older people who enter residential aged care on or after 1 November 2025.

There will be a lifetime cap of \$130,000* on contributions for non-clinical care services (or after 4 years, whichever occurs first). Contributions made under the Support at Home Program prior to entry into residential aged care are included in the lifetime cap.

Older people who enter residential aged care on or after 1 November 2025 with assets or income above designated government thresholds will contribute:

Hotelling contributions

7.8% of assets over \$238,000* or 50% of income over \$95,400* (or a combination of both) up to a limit of \$15.60* per day from 1 July 2025.

Non-clinical care services

7.8% of assets over \$502,981* or 50% of income over \$131,279* (or a combination of both) up to a limit of \$101.16* per day.

* Subject to indexation in March and September each year

Residents whose accommodation costs are **fully subsidised** by the government will not be required to make means-tested contributions to their non-clinical care.

No worse off

The government is applying 'no worse off' arrangements to the new Act so older people who were in the aged care system on 12 September 2024, when the Act was tabled in Parliament, will not be disadvantaged.

People who were approved for or receiving a home care package on 12 September 2024 can enter residential aged care under 2014 fee arrangements.

People entering residential aged care before 1 November 2025 will also access the existing (1 July 2014) fee arrangements under which they pay one means-tested care fee with a lifetime cap of just over \$82,000*.

All older people will have the option of moving to the new fee arrangements if they prefer.

Subject to indexation in March and September each year.

Higher Everyday Living Fee

This is an optional fee for older people who want extra services, such as premium meals or on-site entertainment options. Residents and providers must agree on the goods and services to be provided and the fees to be paid.

The new Higher Everyday Living Fee replaces the Extra Service Fee and Additional Service Fee. It comes with enhanced consumer protections.

Accommodation costs

Older people who can afford it are expected to pay for their room in residential aged care through:

- a refundable (lump sum) accommodation deposit (RAD)
- non-refundable daily accommodation payments (DAP)
- a combination of both.

From 1 November 2025, aged care providers will keep 2% of the RAD per annum. This fee will be capped at 5 years, or 10%.

The DAP will be indexed under the new Aged Care Act. It is currently fixed at the time of entry.

Accommodation costs will be means-tested under the new Aged Care Act, as they were before.

If an older person has limited means, the government will pay some or all of their accommodation costs. The amount the older person contributes is worked out by Services Australia based on the older person's income and assets.

For free and confidential information call our Aged Care Advocacy Line:



1 800 700 600



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OPAN is funded by the Department of Health, Disability and Ageing through the National Aged Care Advocacy Program (NACAP).