

IHACPA pricing advice for residential aged care 2026-27

Dementia Australia Submission August 2025

Dementia Australia is grateful for the opportunity to provide feedback for the development of IHACPA's pricing advice for 2026-27.

It is widely accepted that Australia's aged care sector is under significant strain with access, quality and viability being key challenges across the nation.

For people living with dementia, these challenges have real life impacts on health and wellbeing. People living with dementia report being turned away from residential care particularly if their needs are considered complex, and many others are experiencing long term hospitalisation without clinical need, in part because of the insufficient supply of residential aged care places.

It is unclear whether the Australian National Aged Care Classification (AN-ACC) assessment, branching structure and classification system processes are working correctly for people living with dementia, and likely that the AN-ACC price does not reflect the true cost, and cost variability, of dementia care.

Cognition issues are common in residential care, with more than half of residents diagnosed with dementia, and 17% of people who enter residential care without a cognitive impairment developing one within 1.5 years (1, 2).

Improving the costing system, pricing and funding of residential dementia care is a critical task to support the achievement of the objectives of the rights-based principles of the new Aged Care Act.

Quality dementia care must be skilled and person-centred, and this takes time, training, experience and leadership. Achieving quality dementia care requires ongoing measures, including funding for training to support the workforce.

People living with dementia and carers frequently tell Dementia Australia of their experiences of poor-quality dementia care in residential facilities. This commonly relates to changed behaviour and restrictive practices, communication and decision-making, relationships with carers, and staffing.

“It scares me to live to an old age. I don’t want to live a long time in Aged Care. I fight for my independence” ~ person living with dementia.

“There is an utter lack of awareness or appreciation across the community about dementia and what happens in facilities” ~ carer.

These experiences reinforce the need to urgently review the funding model for dementia care in residential facilities. Immediate steps should be taken to ensure that quality and safety of dementia care is achieved in residential facilities, and to improve access to such care for people living with dementia.

Recommendations

- 1) Initiate an urgent review of the costing, pricing and funding model for residential dementia care, with increased representation of people living with dementia in the sample, prioritising input from lived experience and considering the costs of workforce development.
- 2) Include a dementia indicator in the AN-ACC assessment and data collection to support review and evaluation of the AN-ACC classification process and branching structure and their impact on cost of dementia care.
- 3) Include dementia care needs in consideration of sustainability of Multi-Purpose Services Program (MPSP) funded care in smaller communities.
- 4) Ensure that any review of the National Aboriginal and Torres Strait Islander Flexible Aged Care (NATSIFAC) program funding model is based on genuine co-design and partnership with Aboriginal and Torres Strait Islander Elders and Older People, communities and organisations, and embeds a foundational principle of cultural safety in care.
- 5) Consider the impact of dementia-related care needs on the cost of providing hotelling services, including the need for dementia training of all staff providing services.
- 6) Make safety and quality an immediate priority in the context of pricing and cost models, including the impact of current dementia care funding on safety and quality outcomes.
- 7) Consider strategies for increasing the viability of dementia care in thin markets, including options for supplementation for providers to expand dementia care capacity.

Increasing representation

Consultation question: what could IHACPA do to support improved provider participation and increased representation in our cost collections?

Increasing the representation of people living with dementia in cost collections is essential. The IHACPA 2023 Residential Aged Care Costing Study noted that there were limited data available for some classifications and recommended that IHACPA seek to expand the sample size in future costing studies and increase engagement with specialised populations including residents living with dementia (3).

To our knowledge this has not occurred, and we recommend that as the transition to the new Aged Care system takes place, IHACPA initiate an urgent review of the costing, pricing and funding model for dementia with increased representation of people living with dementia in the sample. The review should also prioritise engagement with people living with dementia, carer and family members.

Critically, Dementia Australia is calling for a dementia indicator to be included in the AN-ACC assessment and data collection. We currently have no data to support evaluation of whether the AN-ACC branching structure is correctly classifying the care needs of people living with dementia, because no indicator is available.

Multi-Purpose Services Program

Consultation question: what activity and cost data points should be considered when developing recommendations for any new future funding model? For the Multi-Purpose Services Program, what methods of data collection should IHACPA consider when developing recommendations for any new future funding model?

Multi-Purpose Services Program funded services often provide essential care in regional and rural areas. The sustainability of these services for smaller communities is a critical issue and funding models should consider community need, including access to services for people living with dementia in the area.

Providing care close to home is important for people living with dementia as it allows for close contact with carers and family members, social networks and the community. This contributes to reducing isolation, confusion and distress as people living with dementia move into residential care.

National Aboriginal and Torres Strait Islander Flexible Aged Care Program

Consultation question: what activity and cost data points should be considered when developing recommendations for any new funding model? What methods of data collection should IHACPA consider when developing recommendations for any new future funding model?

Dementia Australia notes the National Aboriginal and Torres Strait Islander Ageing and Aged Care Council's (NATSIAACC) call for amendments to the new Aged Care Act to ensure cultural appropriateness for Aboriginal and Torres Strait Islander Elders and Older People.

NATSIAACC has stated that "all legislative and policy reforms must be developed in genuine partnership with Aboriginal and Torres Strait Islander Elders and Older People, communities, and organisations, including through culturally informed community consultations" (4).

Dementia Australia agrees that any changes to NATSIFAC must be based on a foundational principle of cultural safety which is operationalised through genuine co-design and tailored support and funding models.

Culturally safe care for Aboriginal and Torres Strait Islander people living with dementia is essential and this should be a high priority in any review of the NATSIFAC funding model.

Supplementation

Consultation question: for approved providers receiving supplements to fund subsidised aged care, are there any cost variations associated with resident complexity or meeting specific resident care needs that need to be accounted for in the Australian National Aged Care Classification funding model?

To deliver quality dementia care, the workforce must be trained and receive continuing professional development and mentoring.

The provision of personal care and daily support to people living with dementia takes additional skill, time, knowledge and leadership.

People living with dementia need additional support and care time for communication, supported decision-making, reducing distress or anxiety, engagement in social and other activities and for staff to work closely with carers.

The environment needs to be suitable to reduce distress and unnecessary restraint and allow people the freedom they would like to safely access spaces inside and outside the facility, and this takes knowledge and investment in dementia-enabling design.

All of these factors mean that dementia care must be considered and costed appropriately in costing models.

There needs to be a thorough review and assessment of how dementia care is funded, and this should include additional supplementation for dementia care where there is increased complexity of need, and to support the staff training required to properly deliver high-quality care.

Hotelling supplement

Consultation question: what factors, if any, contribute to variations in the cost of providing required hotel services to residents?

Dementia-related care complexity affects the costs of providing hotelling services to residents.

For example, the cost of provision of meals and refreshments is affected by dementia as people may need modified texture foods to assist with swallowing issues or need additional assistance with eating and drinking.

To enable quality care, all aged care staff providing hotelling services need to be trained in dementia care, and this may increase workforce costs.

Future priorities

Safety and quality

We note that IHACPA includes safety and quality as a longer-term priority and suggest that this be reconsidered with a view to making safety and quality an immediate, high priority.

This is relevant to improving funding for dementia care and consequently access to care, both critically important aspects of improving safety and quality of residential care for people living with dementia.

Thin markets

There are gaps in access to care for people living with dementia who have increased care needs due to changed behaviour. Currently, aged care provider and workforce capacity is not sufficient to meet demand for this care. This is an acute issue in regional, rural and remote issues, with people often having to move far away from home to access care.

This has significant impacts on the health and wellbeing of people living with dementia and carers, as they are unable to access appropriate care services in a timely manner. There is also a flow-on impact on the public health system and people living with dementia are hospitalised as a last resort and unable to be discharged to appropriate care places.

Dementia Australia recommends that IHACPA consider strategies for increasing the viability of dementia care services in thin markets, including options for supplementation for providers to expand dementia capacity.

References

1. Australian Institute of Health and Welfare. Dementia in Australia. Australian Government 2024.
2. Shoubridge AP, Inacio MC, Air T, Taylor SL, Eshetie TC, Crotty M, et al. Individuals with Cognitive Impairment Entering Long-Term Care: Characteristics and Cumulative Incidence of Dementia after Care Entry. Journal of the American Medical Directors Association. 2025;26(6):105568.
3. Scyne Advisory. Residential Aged Care Costing Study, IHACPA. November 2023.
4. National Aboriginal and Torres Strait Islander Ageing and Aged Care Council. NATSIAACC's Position Statement: A Call to Amend the Aged Care Act to Ensure Cultural Appropriateness for Aboriginal and Torres Strait Islander and Elders and Older People. 2025.