Pricing Framework for Australian Residential Aged Care Services 2027-28

Dementia Australia Submission August 2026

Introduction

Dementia Australia is the peak body representing the estimated 446,500 people living with dementia and their carers across Australia. Dementia Australia advocates for better quality of life for people impacted by dementia, including by improving quality of aged care. Dementia prevalence in Australia is set to increase to more than a million people by 2065 [1]. Dementia is the leading cause of death for all Australians, as well as a leading contributor to disease burden [2].

There is a growing challenge in access to residential care across Australia, especially for people living with dementia. There are widespread shortages in residential aged care places across the country, and generational ageing is increasing pressure. The average wait time for residential care is 365 days, and at least 10,000 new beds are needed annually to meet projected demand [3, 4]. The current pricing framework is a significant contributor to this issue.

People living with dementia already comprise more than 50% of those accessing residential aged care services [2], meaning that the system's capacity to respond effectively to both growing demand and increasing complexity of care is a critical challenge both now and in the future.

The shortage in residential care places also has broader implications for the health sector. Avoidable hospital admissions and delayed discharge of older people living with dementia is a key factor influencing acute care capacity across the country.

Increasing difficulties accessing residential and respite care

Dementia Australia's research shows that people living with dementia are facing increasing difficulty accessing both residential care and respite since the introduction of the new AN-ACC funding model. We have consistently highlighted our concerns that the AN-ACC may not

accurately reflect the true cost and variability of dementia care, particularly for ambulant people and people with changed behaviour[1].

IHACPA has previously acknowledged ongoing stakeholder concerns that the current AN-ACC classification structure may not adequately recognise the costs of caring for residents with cognitive impairment, particularly people living with dementia who are independently mobile and require additional behavioural support. IHACPA has also identified the need for further data collection and potential refinement of the classification system to better account for cognitive impairment and complex care needs [5].

Our research with carers of people living with dementia demonstrates that there are difficulties in navigating care systems, accessing residential places, and retaining a place. This is particularly the case when there is a perception that the person with dementia's needs may be complex and providers do not have the capability to support them.

In line with increased regulatory requirements aimed at managing risk, residential care providers are unlikely to be willing to accept someone into a facility that they cannot care for safely.

Pricing factors are contributing to access difficulties with current structures disincentivising care for people living with dementia that are ambulant, with higher acuity needs or those unable to pay higher costs for accommodation [6].

In a respite context, current price settings do not reflect the higher administration and care management costs for short-term residents living with dementia, meaning that there is less incentive to offer respite beds.

Carers of people living with dementia consistently report that respite is unavailable, inaccessible or unsuitable. Respite plays a critical role in sustaining informal care, maintaining wellbeing, preventing crisis including acute admissions, and supporting carers to participate in work and community life.

Our submission responds to consultation questions 1, 5 and 6.

[1] In some contexts, the behavioural changes that can occur with dementia are referred to as Behavioural and Psychological Symptoms of Dementia or BPSD. They can also be known as responsive behaviour. Changed behaviour is Dementia Australia's preferred terminology.

Recommendations

1. Pricing should recognise the higher costs associated with delivering residential respite, including to people living with dementia, to support the sustainability and growth of respite services.
2. Consider the resource and delivery costs associated with meeting the dementia capability training requirements of the new Aged Care Act when developing pricing advice.
3. Any pricing advice for the Specialist Dementia Care Program should take account of additional cost drivers including higher staffing ratios and the need for a more qualified workforce skilled in behavioural support.
4. As a high priority, review the AN-ACC classification methodology and pricing to ensure it accurately reflects the true cost of care and that providers are appropriately funded to deliver high-quality care that care meets the needs of people living with dementia.

Consultation question 1

What should we consider when understanding differences in administration and care management costs for respite residents compared to permanent residents?

The need for accessible, quality and appropriate respite has been repeatedly recognised across major national policy frameworks and reforms. Despite this recognition, current evidence indicates that respite access remains inadequate, particularly for people living with dementia.

Access is a major problem, with many carers of people with dementia struggling to access respite when they need it, not being able to plan in advance, being unable to find residential facilities willing to accept them, or having to commit to lengthy minimum stays. Respite continues to be less available to people living with dementia or other complex needs [7].

A contributing factor is that current pricing and funding arrangements do not fully recognise the additional administration and care management activities associated with delivering residential respite for people living with dementia.

Respite residents generate higher and more variable costs than permanent residents, but administration and care management costs are currently allocated evenly across respite and permanent residents.

Offering residential respite involves repeated admissions and discharges, greater coordination with carers, care planning, coordination across multiple episodes of care, and support for people who may experience distress or changed behaviours when moving into an unfamiliar environment. There is also the potential for vacant bed days between respite clients. This equates to a higher workload but with a less stable revenue base.

Dementia carers regularly provide feedback to Dementia Australia about the lack of dementia knowledge and training in respite services, and of poor experiences that people living with dementia have in residential respite services.

The Office of the Inspector-General of Aged Care has reported that respite is being used as a 'try before you buy' approach to entering aged care [7]. Respite is being used as a pathway into permanent residential care, with more than 50% of people entering permanent residential care on the same day they exited residential respite [8].

When the administrative and care-management load is greater for respite, but occupancy is short term, permanent residential care is incentivised by more stable revenue and lower turnover costs. This limits access and needs to be addressed in price settings.

The funding for residential respite was revised to align with the introduction of the AN-ACC. Funding is based on one of three classes, independently mobile, assisted mobility or limited mobility. Similarly to permanent respite care, these classes do not fully correspond to the range of support needs with someone who has dementia, particularly with changed behaviour.

The former Inspector-General of Aged Care recommended consideration of additional funding for respite services to incentivise an expansion in respite availability [7].

Consultation question 5

What changes in service delivery costs associated with the implementation of the Aged Care Act 2024 should we consider in developing our pricing advice?

The Aged Care Act regulatory system and Strengthened Quality Standards have introduced a new requirement for providers delivering higher intensity services to ensure that their workforce has access to competency-based training in caring for people living with dementia.

Access to residential care for people living with dementia depends on perceived adequacy of funding but also the capacity of aged care providers to confidently provide higher intensity care if needed, especially where there is changed behaviour.

Improving dementia capability across the aged care workforce can lead to better outcomes for people living with dementia, including enhanced quality of life, reduced risk of serious incidents, improved behavioural support, and reduced use of restrictive practices [9-13].

The outcomes experienced by people living with dementia indicate that the current aged care workforce is not consistently equipped with the skills, training or support required to deliver high-quality, person-centred care to people living with dementia.

The increased costs for providers of participating in dementia capability training for their workforce, in line with new regulatory requirements, need to be considered in pricing. With many providers operating at a loss, investment in dementia education is a shared responsibility across government and providers.

While the Federal government offers some free training under the Dementia Training Program, the reduction in funding for this program in the 2026-27 budget could potentially reduce access.

Consultation question 6

What factors should we consider when assessing the potential inclusion of the Specialist Dementia Care Program in our pricing advice?

Dementia Australia supports the continued use of grant funding for Specialist Dementia Care Program (SDCP) in addition to individualised funding for residents through the AN-ACC. We remain concerned that the AN-ACC does not fully account for the true costs of delivering dementia care in residential contexts.

The SDCP supports a cohort whose needs are not easily met within mainstream residential aged care services. The target cohort for SDCP are people with severe or very severe behavioural and psychological symptoms of dementia. However, Dementia Australia understands many SDCP residents have lower levels of BPSD than intended in the original program design. The actual care needs and true cost of care for individual residents should therefore be considered if SDCP is included in the scope of IHACPA's pricing advice.

As an important component of the continuum of care for people living with dementia, operation of the SDCP needs to be incentivised with adequate resourcing.

Dementia Australia has highlighted that workforce education and dementia capability are important cost components that residential care pricing should recognise, and these are critical for delivery of quality care in the SDCP. The workforce needs to be more qualified and highly trained than the mainstream residential care workforce.

People experiencing severe changed behaviour are a low prevalence cohort with disproportionately poor outcomes. To successfully support these individuals, pricing advice and funding supplementation should take account of additional cost drivers.

These drivers include:

- Higher staffing ratios, additional supervision and risk management.
- Cost of workforce training, ongoing capability development and support for a specialised workforce skilled in delivering care to people with severe changed behaviour.
- Increased use of registered nurses in the care team.
- Frequency of behavioural and care plan assessment and review.
- Access to behavioural specialists, geriatricians and other consultants.
- Clinical complexity, medication management and management of comorbid mental and physical health conditions that are more prevalent in the SDCP resident cohort.
- Access to enjoyable and meaningful activities as a core component of the SDCP model of care.
- Costs related to transition between care settings, including keeping beds available for clients to 'bounce back'.
- Design requirements including environmental modifications, therapy and sensory spaces.
- Need for an appropriate resident mix.

- Viability of operating SDCUs in regional and rural settings including travel and outreach costs.
- Behaviour management planning, monitoring and reporting on the use of restrictive practices or occurrence of serious incidents.

Priorities for future pricing advice

We remained concerned that not all factors influencing the cost of delivering quality dementia care are not reflected in the AN-ACC. We are also concerned that the classification structure does not accurately reflect the support costs for those residents with dementia who are independently mobile and have behavioural changes.

These factors are impacting the ability of people living with dementia to secure residential care within a constrained supply market.

As the number of Australians living with dementia grows, residential providers must be enabled to deliver quality residential care and respite to those who need it.

We recommend a review of AN-ACC classifications and pricing be undertaken as a high priority to inform future pricing advice, to ensure providers are adequately funded to deliver quality care to people living with dementia, with the aim of improving care outcomes and equitable access to care.

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