



Paying residential aged care providers on services delivered

From 1 July 2026 to 30 June 2028, the government is transitioning residential aged care providers to a payment system based on services delivered. This will improve the productivity of the aged care sector by removing the administrative burden to reconcile advances.

This aligns residential aged care subsidies with other government payments and does not change the amount of any subsidy entitlements providers receive.

Key information

- This change does not impact the subsidy entitlements of any aged care resident, nor does it affect the amount paid to any residential aged care provider.
- This change will simplify the payment of subsidy and improve sector productivity by removing the need to reconcile advances with actual entitlements and any subsequent overpayment recovery process.
- This change brings the payment of residential subsidy in line with other government programs such as in-home care and the National Disability Insurance Scheme.
- Over two financial years starting 1 July 2026 and ending 30 June 2028, the advance payment amounts will gradually be reduced each month as providers transition to payment of subsidy for the services they delivered during the preceding month.
- This change does not mean a new claim process for residential care providers. Providers will still lodge a claim with Services Australia at the end of each calendar month.
- Over the transition period payments will still be issued to providers if the amount paid in advance was less than the providers actual entitlement for that month.

Will this mean less money for providers?

No. This change does not impact the subsidy entitlements of any aged care residents, nor does it affect the amount paid to any residential aged care providers.

The government will continue to pay providers for all services they deliver, which in the 2023-24 financial year totalled \$21.2 billion for residential aged care subsidies and supplements, an increase of 32.3% over the previous year.

How will the payment changes improve administrative efficiency?

Now, providers have to carefully monitor their payments against services delivered and then account for any under or over payments which can be as high as 10% of their total monthly payment. Paying providers on services delivered removes this administrative burden and will smooth revenue for providers by eliminating under and over payments.

How will it make it easier for providers to forecast their payments?

Current advances are based on an average amount per place per day in the aged care home from two months prior. The advance payments are based on an estimate that cannot take into account events during the month that will affect funding. Such events include:

- leave taken by residents
- [care minutes provided](#)
- percentage of supported residents
- admissions and discharges
- number of respite care days.

These events are difficult for providers to forecast and require adjustments in future payments.

Moving to payment on services delivered reduces the burden on providers of trying to forecast any future adjustments. They will instead be paid on actual services delivered.

How will providers transition to the new payment system?

Aged care homes will transition over two financial years starting on 1 July 2026 and ending on 30 June 2028.

During the two-year period, the amount of the advance paid for each aged care home at the start of each month will be gradually scaled down by 4.17% each month. The amount of the arrears payment that is calculated and immediately issued once the monthly claim for the aged care home has been lodged and processed will continue to equal any difference between the advance paid and the actual entitlement amount.

New aged care homes that commence operation on or after 1 July 2026 will be fully paid in arrears from the time they commence without any advance payments.

Importantly, providers will not go long between payments. For example:

- Advance payments will be paid at the start of each month. Providers will lodge their claim after the end of each month.

- If a provider's claim was for less than the actual entitlement an arrears payment will be made as soon as the claim is processed.
- If a provider's claim was for more than the actual entitlement, the amount overpaid will be recovered from the next advance payment.
- Advance payments will gradually decrease, while payment on services delivered will gradually increase until 100 per cent of funding is paid on services delivered by July 2028.

What can providers do if they need more time to adapt?

The transition period can be extended for up to an additional two years (four years total) for providers who do not have sufficient cash reserves.

Providers will be able to apply to the System Governor for the additional transition period at any time during the transition period and they will need to demonstrate that they are facing viability difficulties as a result of the transition, and provide supporting documentation which can include material they already provide through the Quarterly Financial Report and Aged Care Financial Report processes.

In order to demonstrate that the difficulties relate to the transition, providers will need to demonstrate previous good financial viability standing and a deterioration to a poor standing. It would not be sufficient to demonstrate a deterioration only.

For eligible providers, the reduction in advance payment would halve to 2.08 per cent each remaining month with an equally gradually increasing payment after the end of each month.

Information on how to apply for an extension will be provided in 2025 and 2026 prior to the commencement of the transition period. The Department of Health and Aged Care will also engage directly with providers through its regular webinars and working groups to take on feedback from providers and peak bodies.

Which payments will this effect?

This change simplifies the payment of the Australian National Aged Care Classification (AN-ACC) subsidy and associated residential aged care supplements including the:

- Hotelling supplement
- 24/7 nursing supplement
- Care minutes supplement
- Oxygen supplement
- Enteral feeding supplement
- Veterans' supplement
- Accommodation supplement
- Grand parented supplements payable for eligible pre-2014 care recipients.

How does the current payment in arrears process work?

Currently, the provider of each residential aged care service is paid an advance at the start of each calendar month. The amount of the advance payment is calculated based on the overall subsidy entitlement for the care recipients in the service two months earlier. That month's

subsidy entitlement is then divided to calculate a per place (bed) per calendar day average amount. The per place per calendar day average amount of two month's earlier is then multiplied by the number of days in the coming month and any change in the number of places in the service.

Relevant events that happen during each monthly payment period must be taken into account to calculate the actual amount of subsidy the provider is entitled to. These events include:

- leave taken by residents
- care minutes provided
- percentage of residents eligible for Accommodation Supplement
- admissions and discharges
- number of respite care days provided.

After the end of each month the provider lodges a claim for subsidy including events such as those described above, and any necessary funding adjustments are made for that month (the amount that was paid in advance is reconciled with the actual entitlement for that month).

An immediate arrears payment is issued if the advance was less than the entitlement. If the advance was more than the entitlement, an overpayment is recovered from the next advance.