

# What are Residential Aged care fees?

## (New entrants post 1 November 2025)

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Residential aged care homes provide accommodation and full-time care for elderly people who have been assessed as needing residential aged care. Each year the Government provides a large amount of funding to this sector. However, people who have financial means are expected to contribute towards the cost of their accommodation and ongoing care. Understanding how these fees work is an important step in planning for aged care, so you can make informed decisions and know how they will impact your finances.

### How to access residential aged care?

Residential aged care is regulated by the Federal Government to ensure care is accessible and affordable for all Australians. To access government-subsidised residential aged care services, you must undergo a 'comprehensive assessment' by an approved assessment organisation under the Single Assessment System. You can call My Aged Care on 1800 200 422 or apply for an assessment online at www.myagedcare.gov.au/assessment/apply-online.

### What are residential care fees?

The contributions paid by residents depend on your choice of service provider and an assessment of your income and assets.

Resident fees are divided into four categories, and not all fees are payable by all residents:

- **Accommodation payment** – Covers the cost of your room and related facilities (like communal areas and furnishings).
- **Basic daily fee** – a contribution towards the costs of daily living, including (but not limited to) meals, electricity and laundry.
- **Hotelling Supplement Contribution (HSC)** – this helps aged care homes meet the cost of services such as catering, cleaning and gardening. Some residents, based on their assets and income, will have to contribute towards some or all of this fee. For some low means residents, the Government will pay this amount on their behalf.

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- **Non-Clinical Care Contribution (NCCC)** – Covers services such as bathing, mobility assistance and lifestyle activities. Those who can afford it will contribute to their NCCC based on their means assessment.
- **Higher Everyday Living Fee** – Covers enhanced services not included in the standard daily care, such as premium meal choices, on-site entertainment options, and access to personal services like hairdressing and private transport.

The rules for the basic daily fee, hotelling contribution and non-clinical care contributions are set by the government. The basic fee is a set amount, while the hotelling contribution and NCCC depends on your financial capacity. The accommodation payment and the additional services fee are set by the aged care provider and can be negotiated between the resident and the provider. Providers do need to get government approval to charge accommodation payments over $758,627[1] .

### Accommodation Payment

The cost of accommodation is usually quoted as a lump sum and is a payment towards cost of the room and access to amenities within the service.

You can choose to pay the accommodation payment via a lump sum refundable accommodation deposit (RAD) or convert it into a daily accommodation payment (DAP) using a government set interest rate. The interest rate is determined at the time of permanent entry. The DAP (or DAC, for low-means residents) is indexed to the Consumer Price Index (CPI) twice a year on 20 March and 20 September. You also have the option to pay the accommodation payment using a combination of a partial lump sum and a reduced daily fee.

If you are assessed as low means, the government will subsidise your accommodation. In this case, the government sets the cost of the room as a daily rate, known as a Daily Accommodation Contribution (DAC) and assesses your financial capacity to determine how much you and the government will each pay. If your financial situation changes, you may be asked to contribute more. This daily fee can be converted to an equivalent lump sum, called a Refundable Accommodation Contribution (RAC).

If a lump sum is paid, a portion of this amount is refunded (net of allowable deductions) when you leave. The aged care facility will retain a portion of the lump sum accommodation payment when the person leaves the aged care facility. The retention amount will be calculated as 2% per annum of the RAD or RAC balance, with the interest rate compounded daily and the amount debited monthly. The retention amount will be calculated on the length of the stay in the aged care facility, up to a maximum period of 5 years. The 5-year period starts when the RAD/RAC is first paid. You can also request to have the DAP/DAC deducted from the lump sum RAD/RAC. The refundable amount is repaid to you or your estate.

### Example

The aged care facility John is interested in has an advertised accommodation price of $700,000. John decides to pay $400,000 upfront as a lump sum (RAD) and cover the remaining $300,000 through a Daily Accommodation Payment (DAP).

When John enters the facility, the government-set interest rate is 7.61%, which means his DAP works out to:

**$300,000 × 7.61% ÷ 365 = $62.55 per day**

This daily amount will increase slightly over time, as the DAP is indexed to the Consumer Price Index (CPI) every March and September.

John chooses to pay the DAP from his regular cash flow rather than dipping into his savings. After six years in care, the facility would have retained around $38,124, and John's estate would receive approximately $361,875 back from his original lump sum.

[1] Department of Health website: Publication of residential accommodation prices

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### Basic Daily Care Fee

All residents pay a basic daily fee as a contribution towards living expenses, such as meals, cleaning, laundry, heating and cooling. This fee is set at 85% of the annual single basic age pension and is indexed over time.

### Hotelling Supplement Contribution

The Hotelling Contribution is a daily amount payable by some clients whose asset and income are over certain thresholds. It is calculated as a resident's means tested amount, less the maximum accommodation supplement. It is capped at $22.15 per day ($8,084.75 pa) and is indexed annually in September.

### Non-Clinical Care Contribution (NCCC)

The government will ask you to pay some of the cost of non-clinical care based on your financial capacity using a means-test assessment. This is a formula based on a portion of assessable income and a portion of assessable asset.

NCCC only applies if the resident's income and assets are over certain thresholds. It is capped at $38,434.50 per annum ($105.30 per day), although this cap is subject to indexation annually in September. The amount you have to pay is also limited to a lifetime cap. These caps help you to plan and manage your finances as the cost is limited regardless of how long you live in residential care.

When you move into care, your NCCC is calculated based on your personal and financial circumstances. This amount is reviewed quarterly to reflect any changes in your situation, as well as updates to government rates and thresholds.

The lifetime cap is currently $135,318.69 (indexed annually), or four years of NCCC payments, whichever comes first. The lifetime cap may include any income tested fees paid in Home Care prior to 31 October 2025 and any Participant Contributions paid after 1 November 2025 (where relevant). It also includes any reductions you may receive due to financial hardship, which means that if your NCCC is reduced due to financial hardship, the whole annual cap is applied to your lifetime cap.

As a general guide, if you're single and have around $1 million in assets, you may be asked to pay the maximum NCCC and Hotelling Supplement Contribution (HSC), or if you're a member of a couple, the maximum contributions may apply if your combined assets are around $2 million.

The rules for what assets and income are assessable and how they are assessed is complex. Your financial adviser is able to help you to calculate the fee you will be asked to pay, as well as how decisions on structuring your finances will impact this fee.

### Higher Everyday Living Fee

Aged care providers may offer extra or higher-quality services, such as enhanced meals, entertainment, or upgraded amenities, for an additional daily fee. These services and their costs can vary widely between providers.

Before agreeing to any extra services, it's important to ask your chosen provider for details about:

- What services are included
- How much they cost
- How and when you'll be charged

You can only agree to pay a Higher Everyday Living fee after you've entered care. There will be a cooling-off period after you agree, and you will have regular review opportunities to ensure the arrangements continues to meet your needs.

### Residential care agreement

Once you have chosen a service provider and been offered a place you will be asked to sign a Resident Agreement with that provider.

This is a contract that sets out your rights and obligations as well as the obligations of the provider and conditions of residency.

The fees and conditions for charging the fees should be outlined in this agreement.

It is important to read the agreement carefully and seek legal advice if you need help to understand the details.

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### Additional information

To find out more about the assets and income assessment process, or to obtain copies of relevant forms, call Services Australia "My Aged Care" line on 1800 227 475 or visit www.humanservices.gov.au/agedcare.

For more information about the aged care process, fees and charges, or to arrange a health assessment, visit www.myagedcare.gov.au.

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