What are residential aged care fees?

(Grandfathering and pre-Nov 2025 rules)

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As we get older, health challenges can sometimes make it difficult to continue living independently at home. When this happens, one option may be to move into a residential aged care facility, where you can receive the support and care you need.

While the Government provides significant subsidies to help cover the cost of residential aged care, residents are still expected to contribute to their accommodation and ongoing care costs if they can afford to do so.

The rules around aged care fees are quite complex — and they've become even more so following major Government changes that took effect on 1 November 2025.

What is residential aged care?

Residential aged care in Australia provides accommodation and support for older people who can no longer live safely or independently at home. These facilities offer 24-hour care, including help with daily activities such as bathing, dressing, and meals, as well as access to nursing and medical support when needed. The cost of care varies depending on each person's circumstances, including the type of accommodation chosen and the level of care required.

What are residential aged care fees?

Residential aged care is regulated by the Federal Government to ensure that it's accessible and affordable for all Australians who need it. The contributions paid by residents will depend on your choice of service provider as well as an assessment of your income and assets.

The government sets the rules for the aged care fees, and they are divided into four categories:

- **Accommodation Payment** – covers the right to live in the aged care facility and access to amenitiespays to build a granny flat on someone else's property
- **Basic Daily Fee** – a contribution towards the costs of daily living, including (but not limited to) meals, electricity and laundry.
- **Ongoing care fees** – a contribution towards the cost of car.
- **Higher Everyday Living Fee (HELF)** – charged on a user pays basis where you request or agree to additional services.

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1 November 2025 reforms

The aged care sector has undergone several significant changes over the years, with the latest reforms affecting those entering from 1 November 2025.

It is important to note that the accommodation payment and the ongoing care fees can differ depended on whether someone is under the pre-1 November 2025 rules or post-1 November 2025 rules.

Under the new rules from 1 November 2025, the calculation of ongoing care fees and accommodation payments applies to residents who first permanently enter residential aged care on or after 1 November 2025.

Existing aged care residents will be grandfathered and remain under the 'pre-1 November 2025' rules for both ongoing care fees (means tested care fee) calculations and accommodation payments beyond 1 November 2025.

To add to the complexity, the rules treat grandfathering for ongoing care fees, means tested payment calculations, and accommodations payments separately.

For example, 'pre-1 November 2025 rules' apply for ongoing fees calculation where a person was approved for a Home Care Package on 12 September 2024, and then subsequently permanently enters residential aged care on or after 1 November 2025. However, for people in this situation their accommodation payments will be assessed under post 1 November 2025 rules.

The following table summarises the pre and post 1 November 2025 rules for accommodation payment and ongoing care cost:

Types of Fees	Pre-1 November 2025 Rules	Post 1 November 2025 Rules
Basic Daily Care Fee	**85% of full Age Pension**	
Accommodation Payment	• No Retention Amount • No Indexation of Daily Accommodation Payment (DAP)	• Retention Amount • Indexation of DAP twice a year to CPI
Ongoing Care Cost	Means Tested Care Fee (based on your asset and income, can vary over time), subject to an indexed • Annual cap of $35,238.11 • Lifetime cap of: $84,571.66	• Hotelling Contribution; • Non-clinical care contribution
Higher Everyday Living Fee (HELF)	Optional fees charged for services that are of higher quality, or in additional to the legislated care service list e.g. premium meals, personal grooming etc.	

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Accommodation Payment

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

Payment Options

You can choose how to pay for your accommodation:

- **Lump sum:** Pay the full amount as a Refundable Accommodation Deposit (RAD).
- **Daily fee:** Convert the lump sum into a Daily Accommodation Payment (DAP) using a government-set interest rate.
- **Combination:** Pay part as a lump sum and part as a daily fee.

How the DAP Is Calculated

If you choose not to pay the accommodation cost as a full lump sum, you can choose to pay the DAP, which helps cover your accommodation costs over time. The Maximum Permissible Interest Rate (MPIR) is the rate used to calculate the DAP. It is set by the Australian Government and is reviewed quarterly.

The DAP is calculated by applying this interest rate to the unpaid portion of the accommodation amount, using the formula:

DAP = (Unpaid lump sum × MPIR) ÷ 365

If You're a Low-Means Resident

If you're assessed as a low-means resident, the Government will help pay for your accommodation in aged care:

- The cost of your room is set as a Daily Accommodation Contribution (DAC).
- Your financial situation is reviewed quarterly to determine how much you pay.
- You can choose to pay a Refundable Accommodation Contribution (RAC) as a lump sum to reduce your DAC. Any unused portion of the RAC will be refunded when you leave the facility or pass away.
- If part of your RAC is used to cover accommodation costs (as agreed with your provider), that portion won't be refunded.
- The Government pays the remaining accommodation costs.

- **Pre-1 November 2025 rules (accommodation payment)**

Under the Pre-1 November 2025 grandfathered rules, your accommodation payments are treated as follows:

- If you pay a lump sum RAD or RAC, the full amount is refundable when you leave the facility, minus any agreed deductions.
- Aged care facilities cannot retain any portion of your lump sum under the grandfathering rules.
- By law, your refund must be paid within 14 days after you leave the facility or pass away.
- You can choose to have your Daily Accommodation Payment (DAP) deducted from your lump sum over time. This can help manage your cash flow while covering your accommodation costs.
- The DAP is not indexed. The interest rate used to calculate your DAP, called the Maximum Permissible Interest Rate (MPIR), is locked in at the time you enter care and won't change, even if the government updates the rate later.

Post 1 November 2025 Rules (accommodation payment)

Under the Post-1 November 2025 new aged care reforms, your accommodation payments are treated as follows:

- Aged Care facilities can deduct a retention amount from lump sum accommodation payments (RADs and RACs) for residents who enter care after 1 November 2025.
- The retention amount is a small daily deduction (calculated at 2% of the original lump sum payment per year) for up to 5 years (i.e., 10% of the lump sum in total). This helps cover the facility's administrative and accommodation-related costs.
- When you leave the facility, the remaining balance of your lump sum will be refunded within 14 days.

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- The DAP will be indexed in line with the Consumer Price Index (CPI) twice a year — in March and September — to reflect changes in living costs.
- If you are a Low-Means Resident, your financial situation will be reviewed monthly to determine how much you pay.

Basic daily care fee

All residents in aged care 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.

Ongoing Care Fees

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

Pre-1 November 2025 rules (Means Tested Care Fee)

Under the pre-1 November 2025 rules, the ongoing care contribution is referred to as the 'Means Tested Care fee". The means tested care fee is determined by your means tested amount assessed on an ongoing basis based on your assets and income, subject to the following:

- If your means tested amount exceeds the maximum accommodation supplement (currently $70.94 per day) you are likely to pay a means tested care fee.
- The amount you may be asked to pay is capped on an annual basis (currently $35,238.11), although a lifetime cap of $84,571.66 also applies.

These caps help you to plan and manage your finances as the cost is limited, regardless of how long you live in residential care.

The fee is determined when you move into care. It is then reassessed on a quarterly basis to reflect changes in your financial and personal circumstances, as well as indexation of rates and thresholds.

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

Post 1 November 2025 rules (Hotelling Contribution and NCCC)

For those covered by the new fee arrangements for ongoing care costs, the Means Tested Care Fee will no longer apply. It has been replaced by two new types of fees: the Hotelling Supplement Contribution and the Non-Clinical Care Contribution (NCCC).

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.

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.

- The NCCC only applies if the resident's income and assets are over certain thresholds.
- It is capped at $105.30 per day (or a maximum NCCC of $38,434.50 per annum); however, the annual cap is subject to indexation.
- The amount of NCCC you have to pay is capped on a lifetime basis as well as annually. The lifetime cap is $135,318.69 (indexed) or 4 years of NCC payments (including any fee reductions under financial hardships), whichever is earlier.

These caps help you to plan and manage your finances as the cost is limited regardless of how long you live in residential care.

The fee is determined when you move into care and is then reassessed on a quarterly basis to reflect changes in your financial and personal circumstances as well as indexation of rates and threshold.

As a general guide, the maximum NCCC and Hotel Services Contribution (HSC) may apply to:

- A single person with around $1 million in assets
- A couple with around $2 million in combined assets

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The rules for what assets and income are assessable and how they are assessed is complex. Your financial adviser can help you to understand:

- How much you may be asked to pay
- How your financial arrangements and decisions could affect the fees you pay.

Higher Everyday Living Fee

Starting 1 November 2025, the Higher Everyday Living Fee (HELF) is an optional daily fee available to residents in permanent or respite residential aged care. It applies to all residents, regardless of whether they entered care before or after this date.

Aged care providers may offer enhanced or additional services under HELF, either as individual items or bundled packages. Providers set their own prices for these services.

If you have an existing Extra Service Agreement in place before 1 November 2025, it will remain valid until 1 November 2026. After that, it will automatically end unless transitioned to the HELF model. You can choose to:

- Continue with your current agreement until it expires,
- Transition to HELF earlier, or
- Opt out of additional or extra services altogether.

You can only agree to pay the HELF after entering care. A cooling-off period and regular review opportunities will be provided. Be sure to ask your provider for details about the services offered, associated costs, and any terms that apply.

Grandfathering – how to determine who is assessed under pre or post 1 November 2025 rules?

When the new rules were brought in the Government wanted to make sure existing residents are protected against adverse financial impact as the new rules take effect. The following table summarises when the pre-post 1 November 2025 rules apply for both ongoing care fees and accommodation payments for a range of situations:

Situation	Ongoing Care fee	Accommodation Payments
Resident first enters residential aged care between 1 July 2014 and 31 October 2025 - No break in care for more than 28 days -Did not opt to be covered by post 1 Nov 2025 rules. As long as above are met, moving facilities does not cause loss of grandfathering.	Pre-1 Nov 2025 rules – Means Tested Care Fee	Pre-1 Nov 2025 rules – no Retention Amount no indexation of DAP
Resident first entered aged care on or after 1 Nov 2025 and **not** receiving or approved for a Home Care Package on 12 September 2024	Post-1 Nov 2025 rules – (Hotelling Contribution and NCCC)	Pre-1 Nov 2025 rules – Means Tested Care Fee
Resident resides in residential aged care **on** 1 November 2025 and has a break in care of more than 28 days (other than approved leave).	Pre-1 Nov 2025 rules – Means Tested Care Fee	Post 1 Nov 2025 Rules (Retention amount & indexation of DAP)

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Situation	Ongoing Care fee	Accommodation Payments
Resident previously entered aged care prior to 1 November 2025 but **not** in aged care on 1 November 2025 and has a break in care for **more than** 28 days.	Post-1 Nov 2025 rules – (Hotelling Contribution and NCCC)	Post 1 Nov 2025 Rules (Retention amount & indexation of DAP)
Resident first entered aged care between 1 July 2014 and 31 October 2025 and makes an election to be covered by the post 1 Nov 2025 rules	Post-1 Nov 2025 rules – (Hotelling Contribution and NCCC)	Post 1 Nov 2025 Rules (Retention amount & indexation of DAP)

Additional information

To find out more about the assets and income assessment process, call Services Australia on 1800 227 475 or visit www.servicesaustralia.gov.au/aged care

To arrange a health assessment, or to obtain further information on the aged care process, fees and charges, you can contact My Aged Care on 1800 200 422 or visit www.myagedcare.gov.au