# Australia's Aged Care Sector Mid-Year Report 2024-25

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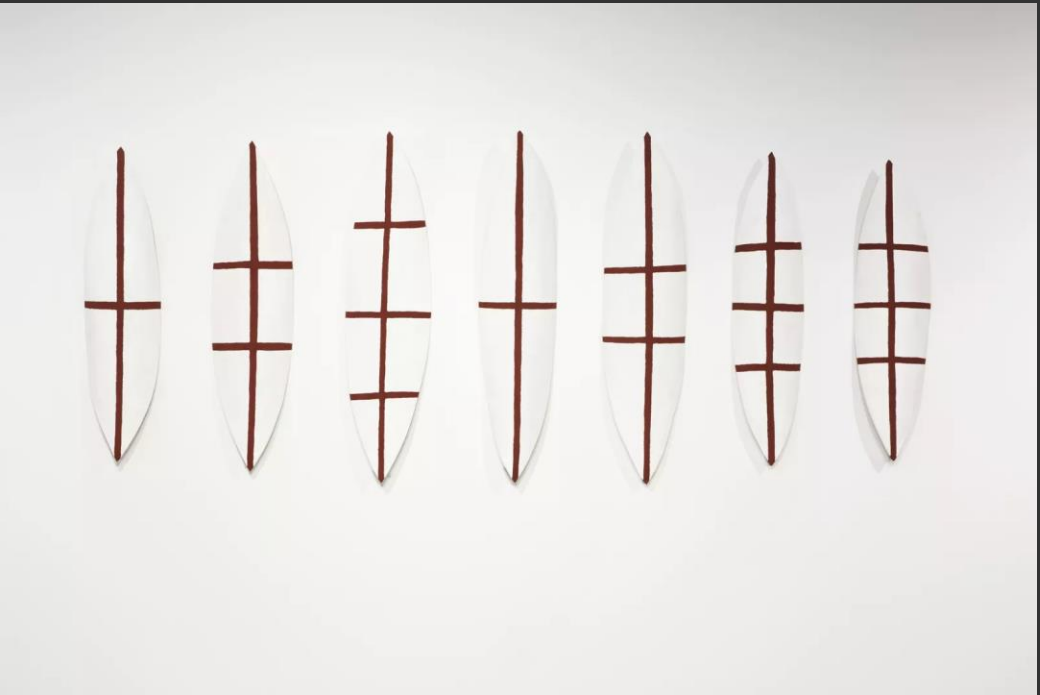
June 2025

UTS Ageing Research Collaborative

UTS

# Acknowledgment of Country



Gadigal Shields (2019), made by Gadigal Elder Uncle Charles 'Chicka' Madden with assistance from artist and UTS researcher Jonathan Jones (Wiradjuri/Kamilaroi).

We would like to acknowledge the Gadigal people of the Eora nation as traditional custodians of the lands on which UTS now stands.

We extend that respect to the custodians of the lands upon which you join us from.

We pay our respect to the Elders both past and present.

# Agenda

- Introduction
- Sector-wide developments
- Home care results update
- Home care reflections
- Residential care results update
- Residential care reflections

? If you have a question, please feel free to ask in the Zoom chat.

# Australia's Aged Care Sector Report

- Flagship biannual research report series, drawing on data from StewartBrown and other sources.
- Provides independent analysis and commentary, drawing on expertise from accounting, economics, design and health.
- Informed through continuous engagement with stakeholders in government, industry and the community.

**Seventh edition (Mid-Year 2024-25) was released 20 June 2025**

- **New structure:** thematic sections, indicator explanations

Available for download: [Australia's Aged Care Sector reports | University of Technology Sydney]

01

# Sector-wide developments

# Sector-wide developments

## Start date of Aged Care Act 2024 delayed

Following the passage of the Aged Care Act 2024 in late 2024, aged care received limited attention in the 2025–26 Federal Budget and the ensuing election campaign.

The key challenge for Government is to work with the sector to successfully implement the Aged Care Act and regulatory regime by 1 November.

# Sector-wide developments

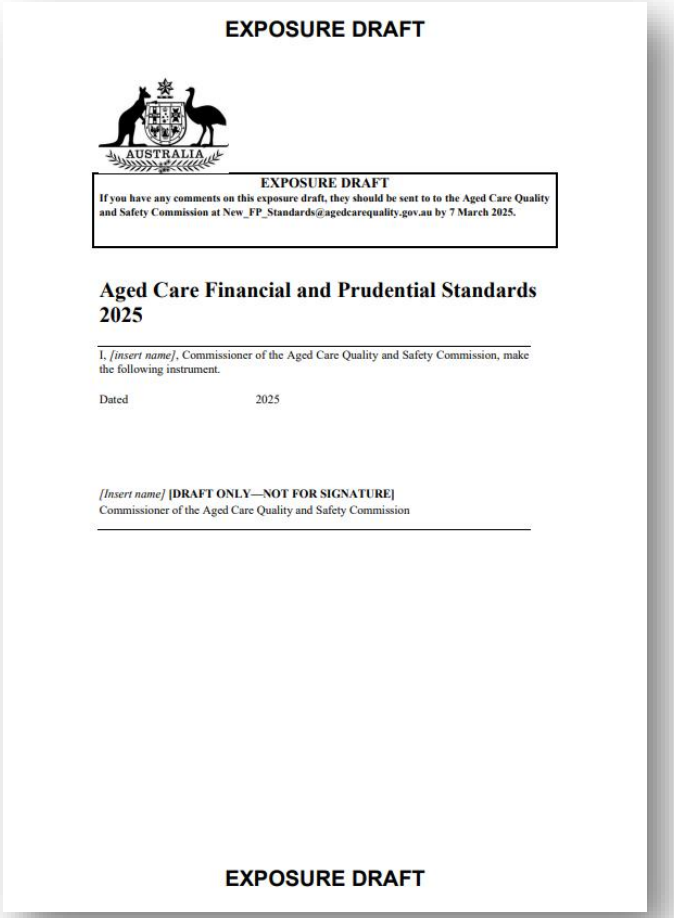
## Financial and Prudential Standards

The ACQSC issued draft Financial and Prudential Standards for consultation in early 2025.

The Objects of these new Standards do not include any reference to the sustainability and resilience of the aged care system, which is inconsistent with the Aged Care Act.

As drafted, the new Standards do not appear to provide for ‘a robust and risk-based regulatory framework’ as required by the objects set out in s.5(e) of the Act.

UARC’s full submission to the ACQSC can be accessed here



EXPOSURE DRAFT

AUSTRALIA

EXPOSURE DRAFT

If you have any comments on this exposure draft, they should be sent to to the Aged Care Quality and Safety Commission at New_FP_Standards@agedcarequality.gov.au by 7 March 2025.

**Aged Care Financial and Prudential Standards 2025**

I, *[insert name]*, Commissioner of the Aged Care Quality and Safety Commission, make the following instrument.

Dated 2025

*[Insert name]* **[DRAFT ONLY—NOT FOR SIGNATURE]**
Commissioner of the Aged Care Quality and Safety Commission

EXPOSURE DRAFT

02

# Home care: mid-year results update

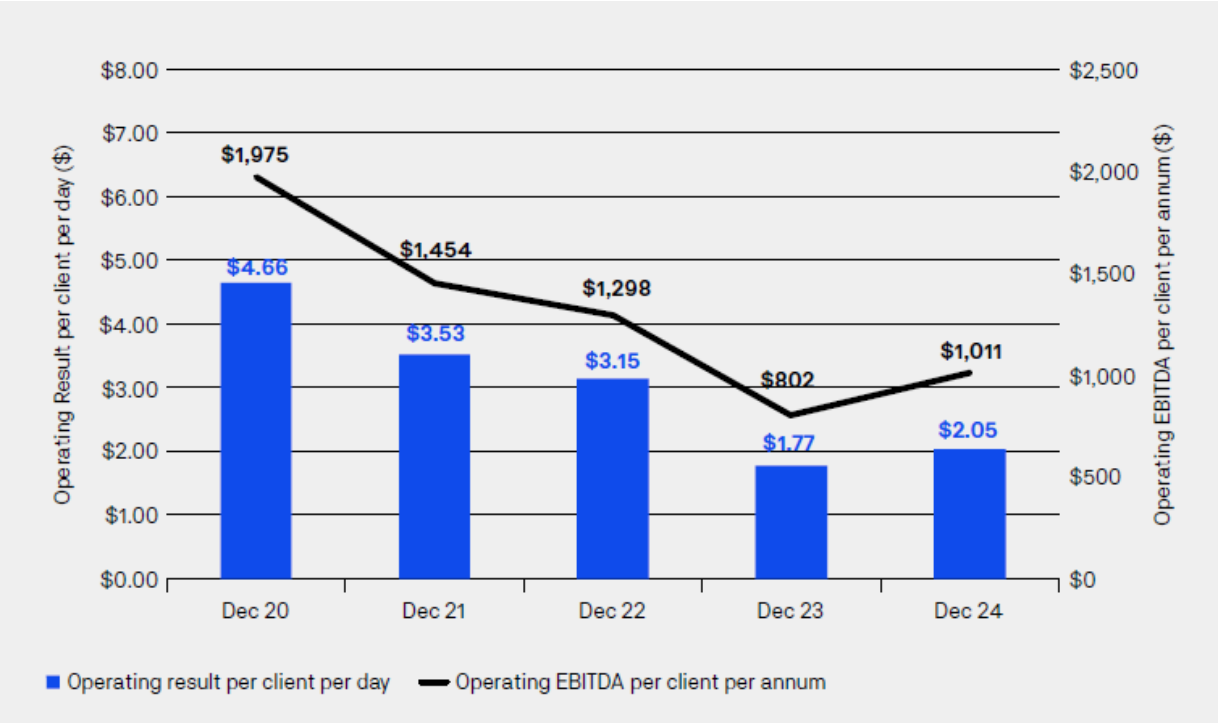
# Home care

## Providers' poor financial outcomes persist

After years of declining financial performance, the average Operating Result of home care package providers has stabilised at $2.05 per client per day:

- 75th percentile: $6.80
- Median: $2.58
- 25th percentile: ($2.11)

Financial performance of home care providers



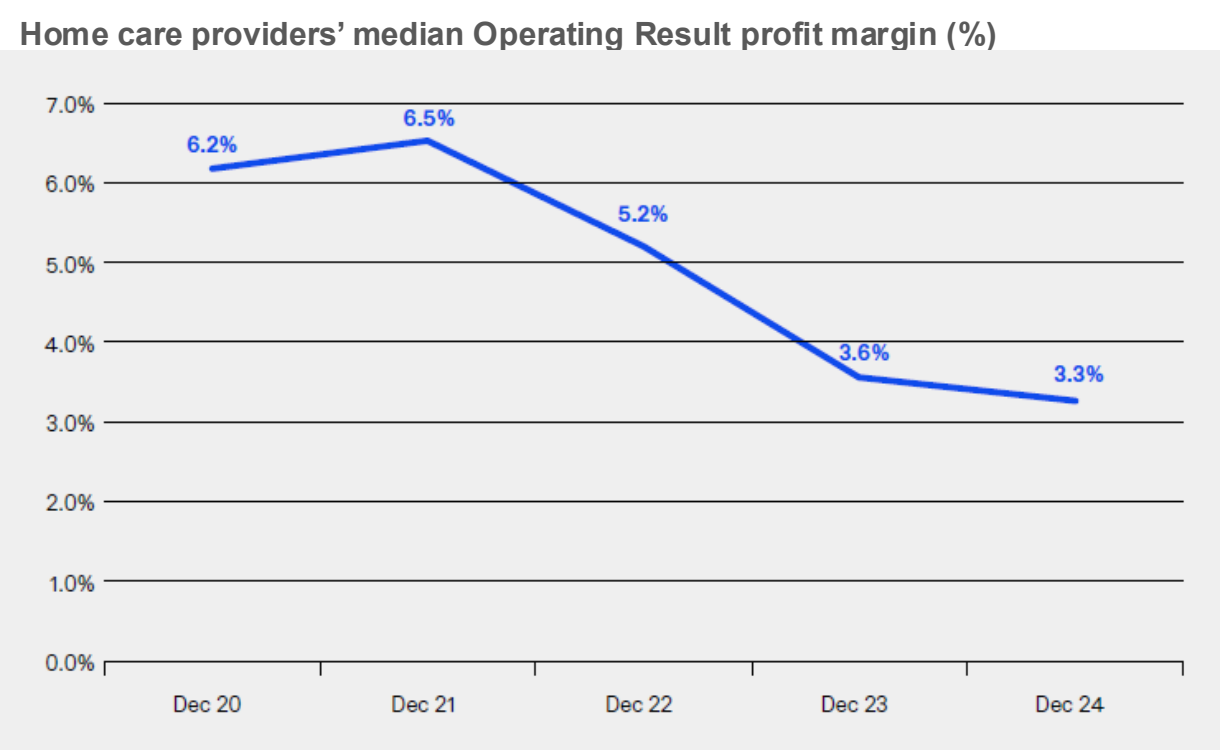
# Home care

## Profit relative to revenue continues to decline

Providers are retaining a smaller share of each dollar of service revenue as a surplus compared to previous years.

Financial viability risks:

- Providers lack resources to deliver quality care
- Disruptive provider exits
- Insufficient market supply
- Reduced equity of access for those in need



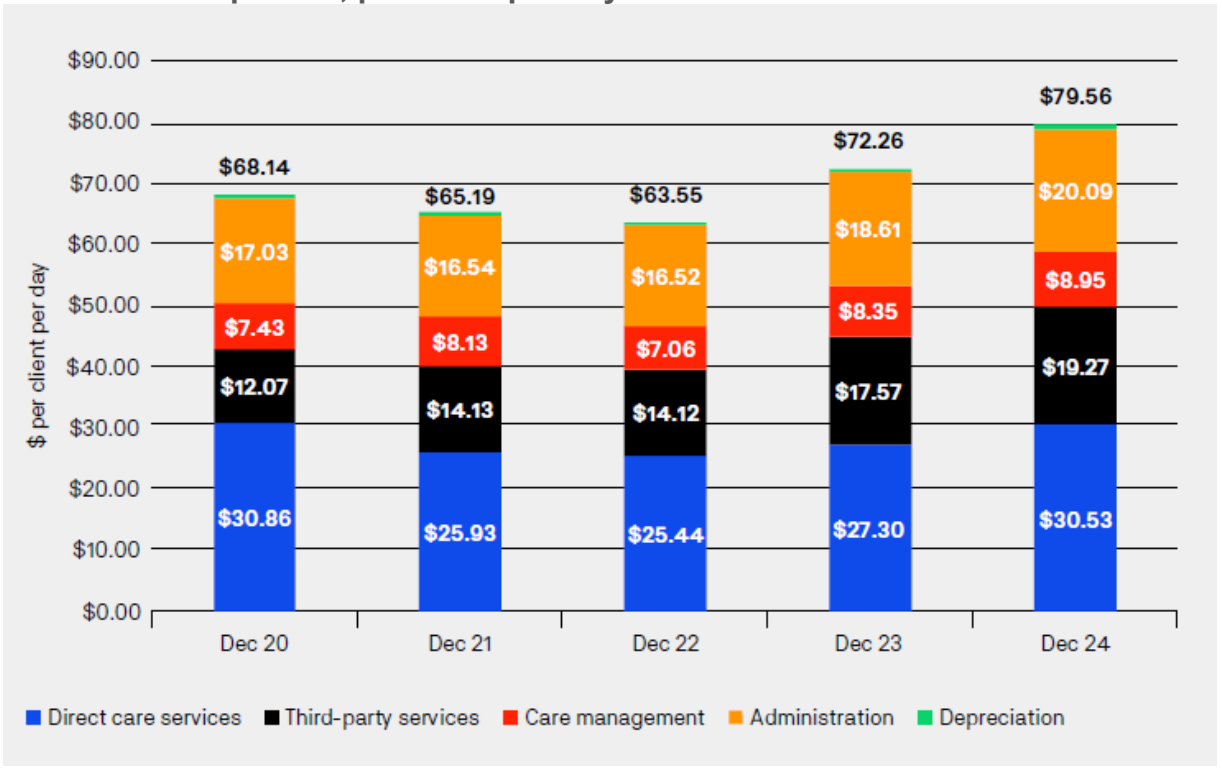
# Home care

## Growing reliance on third-parties to deliver care services

Since 2019-20, there has been a growing reliance on third-parties to deliver in-home services.

In December 2020, for every dollar providers spent on care delivered by their own employees, they spent approximately $0.39 on brokered services. By December 2024, this had risen to $0.63.

Home care expenses, per client per day

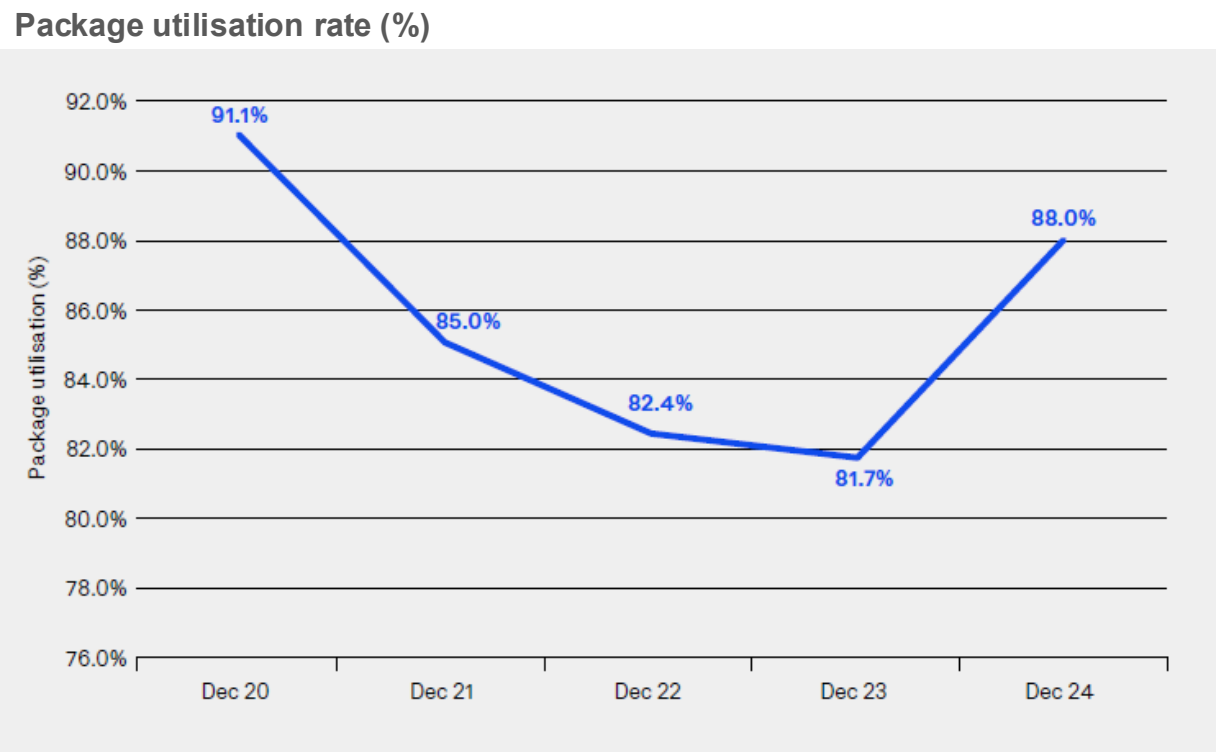


# Home care

## Improved package utilisation rates

Package utilisation increased to 88.0% in December 2024, up from 81.7% in the previous year.

In nominal dollar terms, the average unused subsidy per client per day declined from $16.72 in December 2023 to $11.64 in December 2024.



03

# Home care: reflections

# Home care

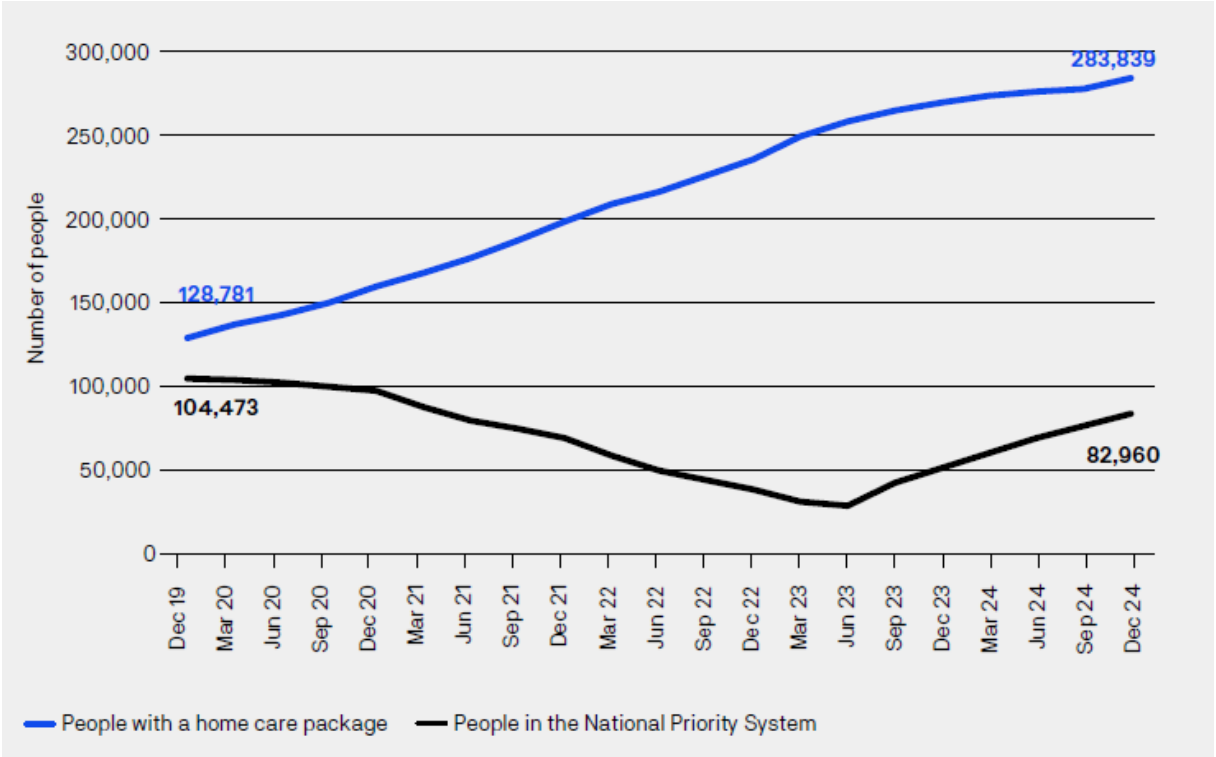
## The growing waitlist for home care

As of December 2024, 82,960 individuals were on the waitlist. This is nearly three times the number from June 2023, when 28,665 people were waiting.

Median waiting times have also grown:

- E.g. Level 4 (medium): 12-15 months

Number of people with a home care package and waiting for a home care package



# Home care

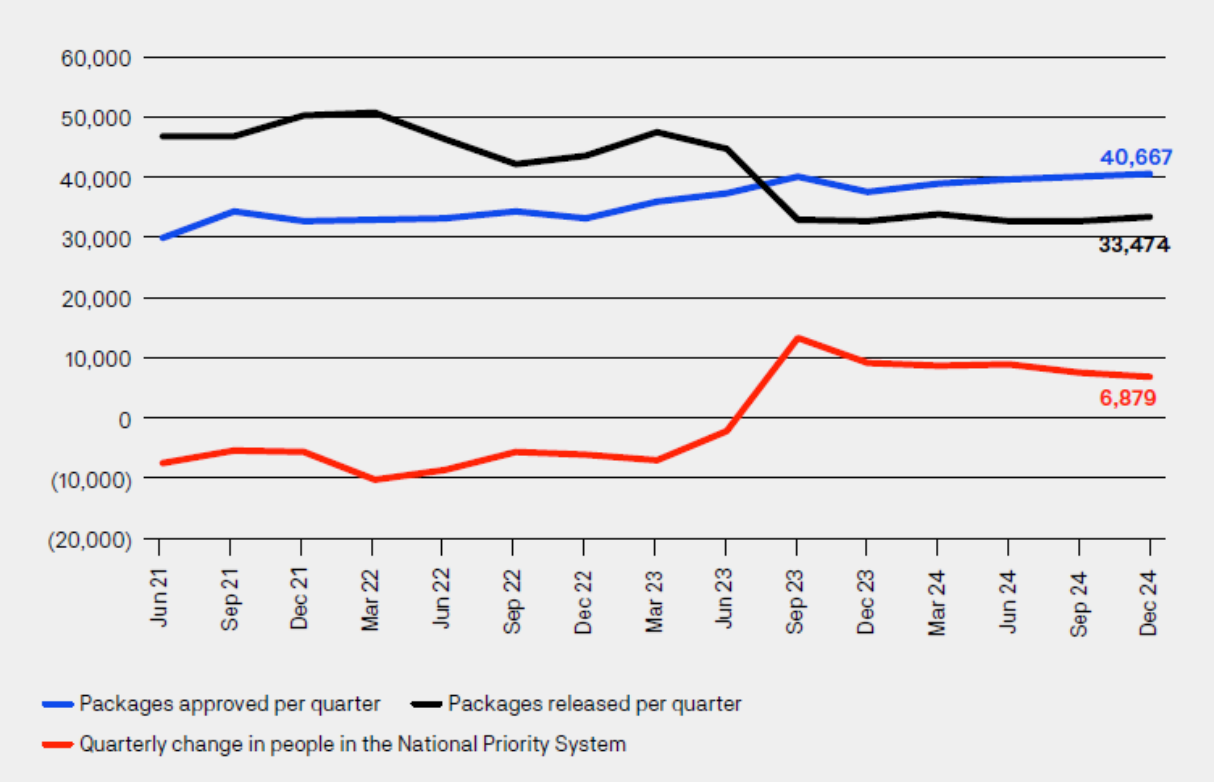
## The growing waitlist for home care

Since mid-2023, the waitlist has since grown by approximately 9,000 individuals per quarter as the number of packages released has fallen below the number of approvals.

Consequences of longer wait times:

- Deteriorating health and premature decline
- Early entry into residential care
- Avoidable hospitalisations
- Increased pressure on carergivers, particularly women

**Number of approvals, package releases and change in people waiting for a home care package**



# Home care

## The growing waitlist for home care

The Government is aiming to reduce wait times for home-based aged care to three months by July 2027.

Actions being taken by Government:

- Replace the National Priority System
- Interim funding under consideration
- Increased transparency

Expanding service access will only be effective if there is a skilled and adequately distributed workforce to meet the increased service demand, particularly in rural and remote areas.

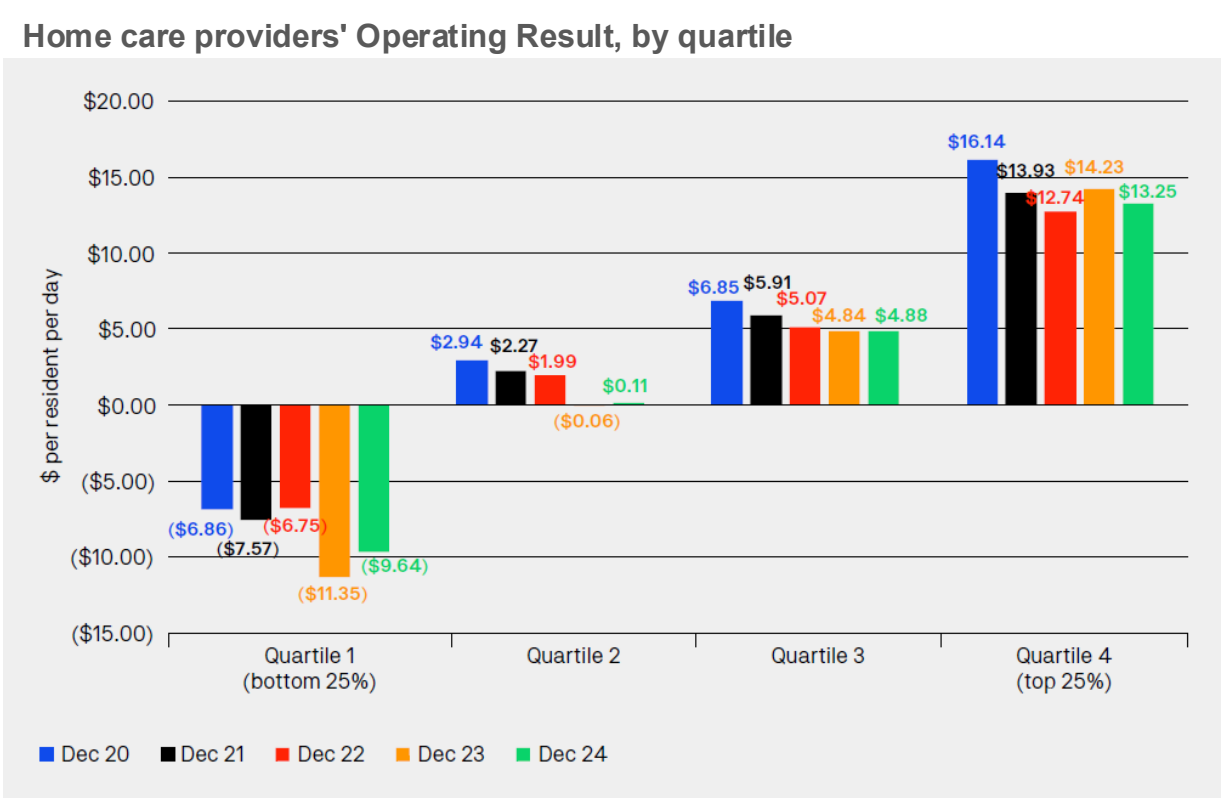
# Home care

## Financial viability of home care providers

Financial viability is becoming an increasing challenge with 40.0% of providers reporting a negative Operating Result from their home care package operations.

Over the past five years, the average Operating Result of home care providers has declined across all quartile groups.

*Note: In standard quartile analysis, quartile groups are classified based on relative standing in each year. A provider may have different classifications in alternative years.*



# Home care

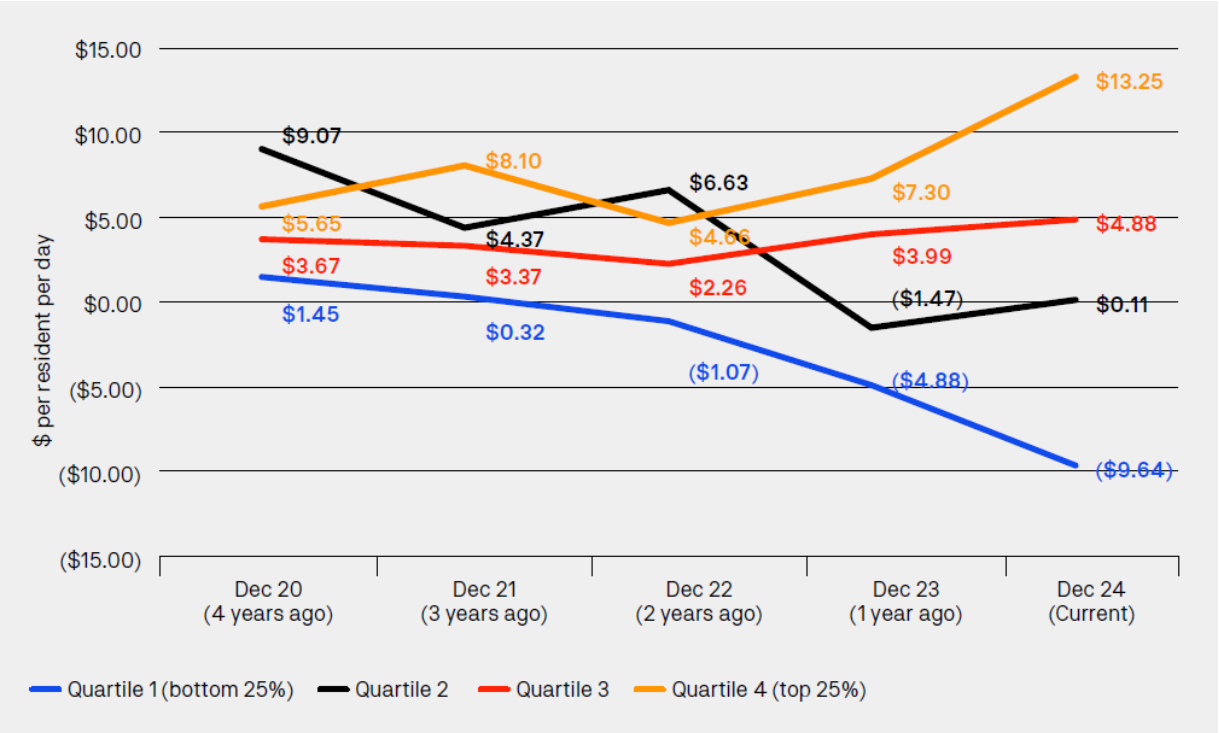
## Financial viability of home care providers

Retrospective analysis (with quartile grouping fixed at December 2024) shows that providers currently in the bottom quartile have consistently recorded weaker results.

Characteristics of bottom 25%:

- Fewer packages
- Package mix more focused on Level 1-2
- Significantly higher rates of expenditure per client per day, particularly on care management and administration

**Retrospective analysis of home care providers' Operating Result, by December 2024 quartile**



# Home care

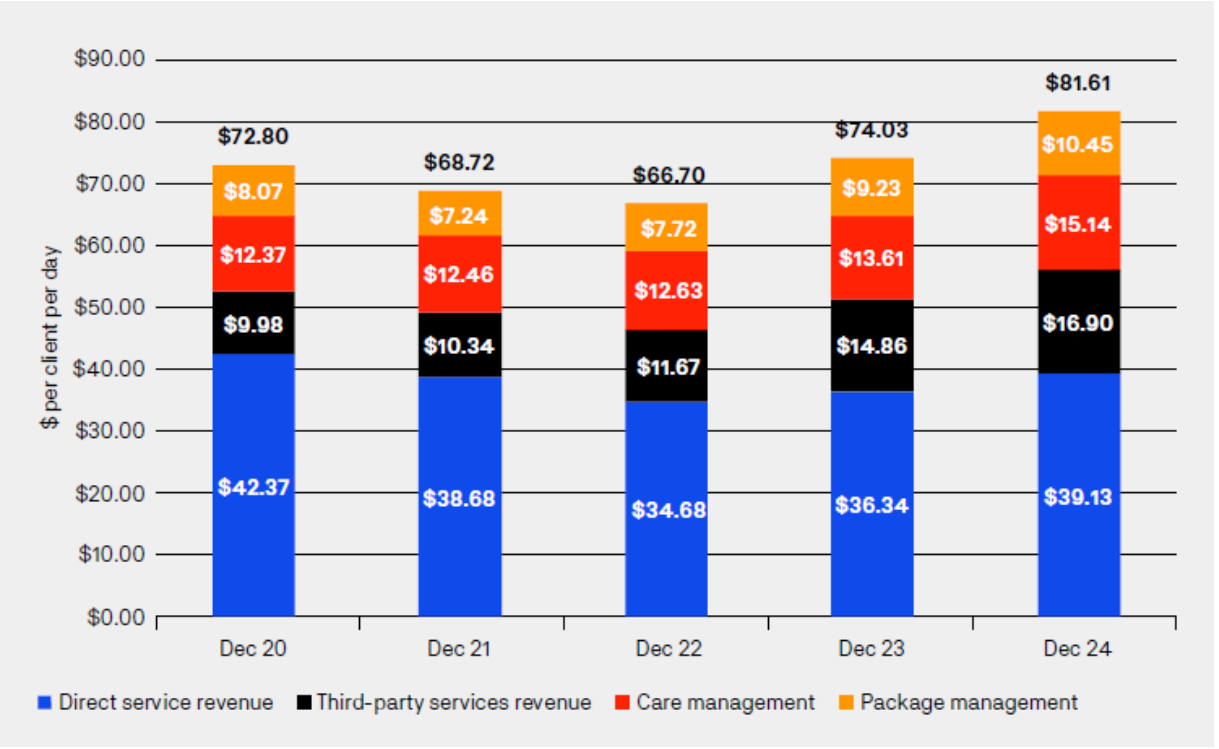
## Emerging challenges with pricing Support at Home

From 1 November, service pricing will transition to a more transparent, activity-based model:

- Providers to set service unit prices (inclusive of administration) per-contact hour
- Care management fees cap (10%)
- No separate administration fees

Change in fee structure is likely to cause significant increases in service unit prices to maintain viability, requiring clear communication from government.

Home care revenue, per client per day



# Home care

## Emerging challenges with pricing Support at Home

Change in fee structure will reduce providers' 'fixed' income streams:

- Currently care management and package administration fees equivalent to 31.3% of revenue → to be capped at 10%

This will increase providers' exposure to demand fluctuations in volume and mix of services:

- Changes in the participant cohort
- Variability in the availability of informal supports
- Shifts in participants' care needs over time
- Participants' scheduling choices
- Participants' responses to their level of contribution

Lewis, R. L., McAllister, G., Brown, D. A., Rawlings-Way, O., Sutton, N. C., McEwen, C., Parker, D., & Ma, N. (2025). Set up to fail: Explaining systemic problems in the business model of in-home aged care. *Australian Journal of Management*, https://doi.org/10.1177/03128962241309407

# Home care

## Should prices be capped?

**Potential benefits:**

- Safeguard against overcharging and help ensure a baseline level of consistency across the market
- Improved clarity and certainty for participants

**Potential risks:**

- Price distortion
- Reduced service availability, de-prioritisation of higher-cost participants, or exits from thin markets
- Reduced flexibility, innovation or person-centred care
- High government costs of administration

04

# Residential care: mid-year results update

# Residential care

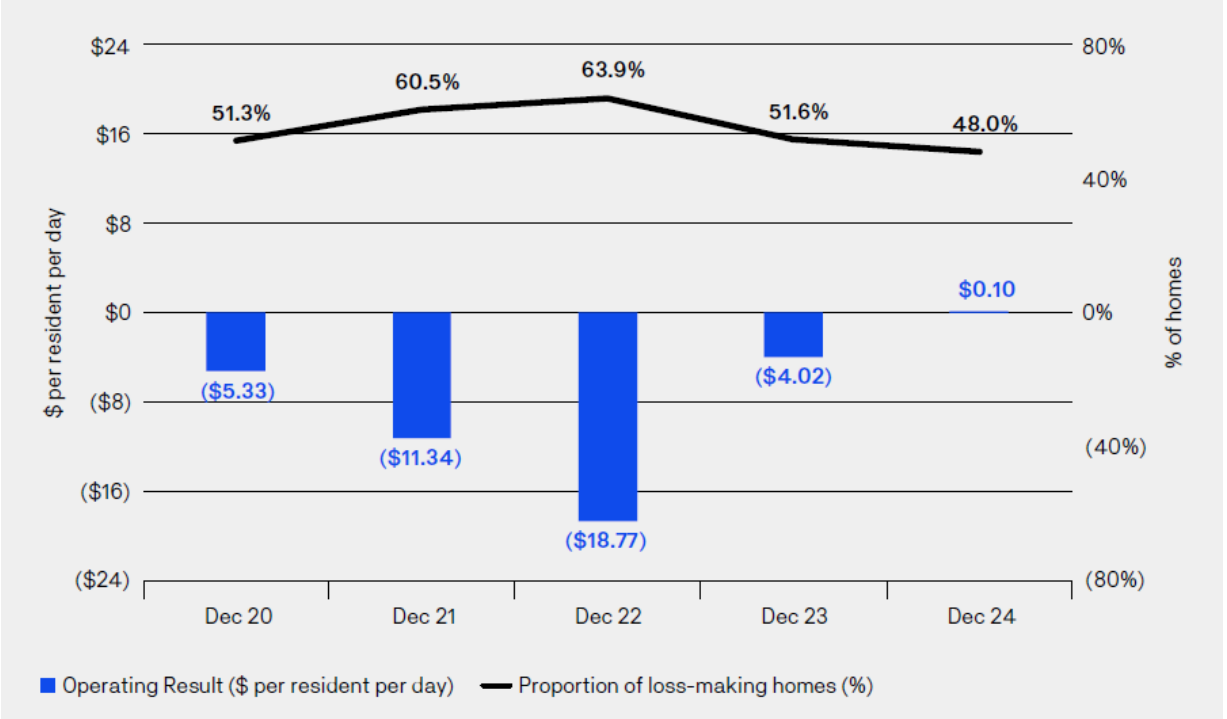
## Financial results have improved

On average, homes' financial results for first half of 2024-25 were better than prior years.

Homes' average operating surplus of $0.10 per resident per day (compared to deficit of $18.77 in 2022-23).

However, nearly half of homes are still operating at a loss.

Operating Result and proportion of loss-making homes



# Residential care

## Financial outcomes boosted by improved occupancy

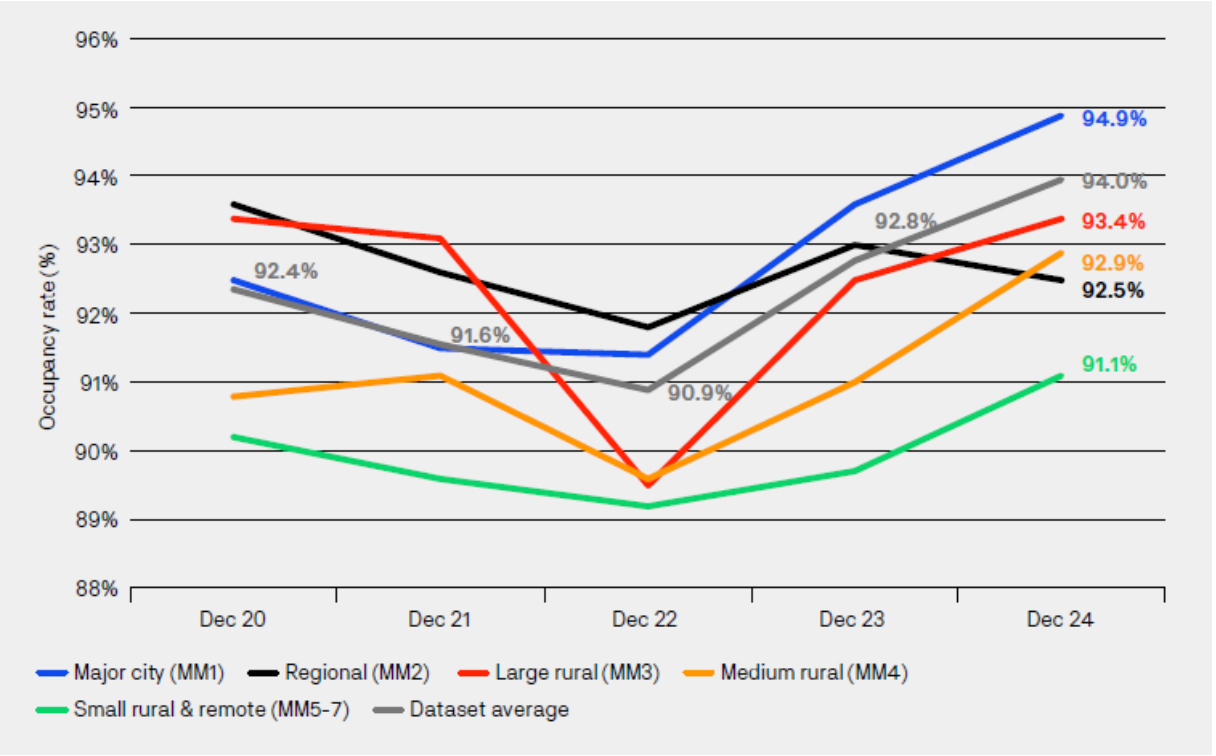
Occupancy has continued to rise and now exceeds the 2020-21 average rate.

Regional differences remain evident. Homes located in major cities consistently report occupancy rates above the dataset average.

Higher occupancy has implications for:

- Improved financial viability
- Greater challenge in reaching care minute targets
- Constrained availability of supply in local markets

Occupancy rate, by location



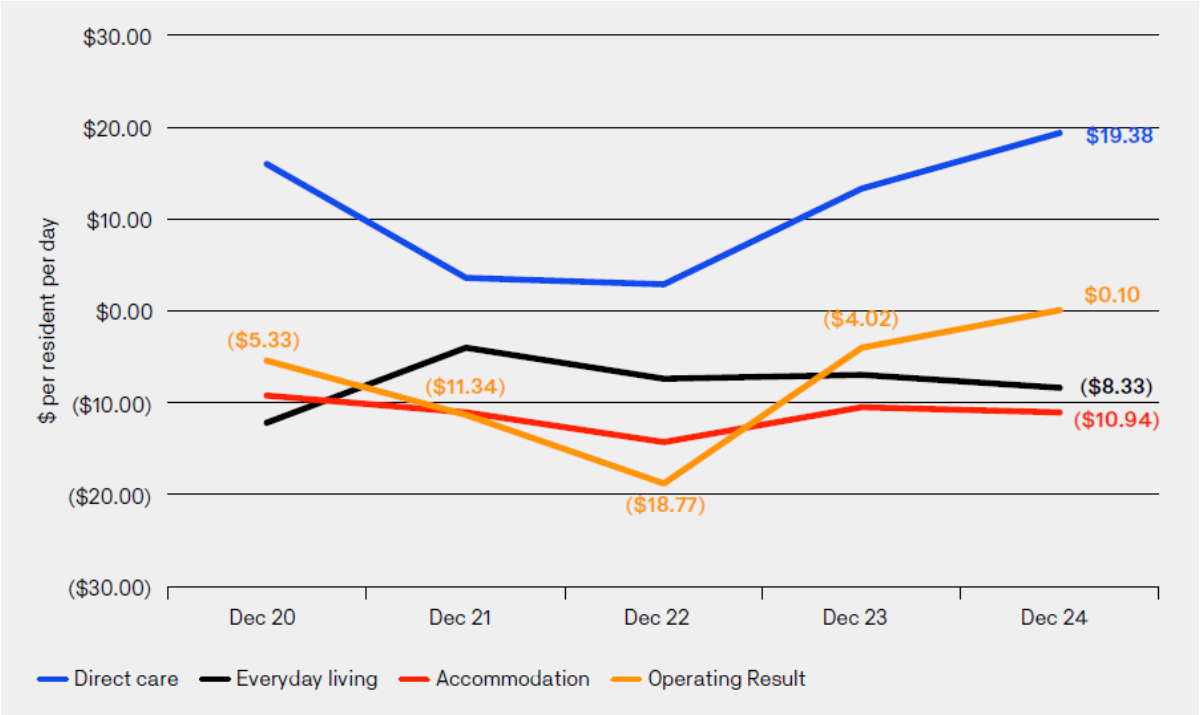
# Residential care

## Cross-subsidisation between service areas

There is a persistent structural imbalance in the sector's business model.

Surpluses generated from direct care—primarily funded by taxpayers through the AN-ACC model—are used to cross-subsidise losses incurred in everyday living and accommodation services.

Financial results of residential aged care homes, by service area



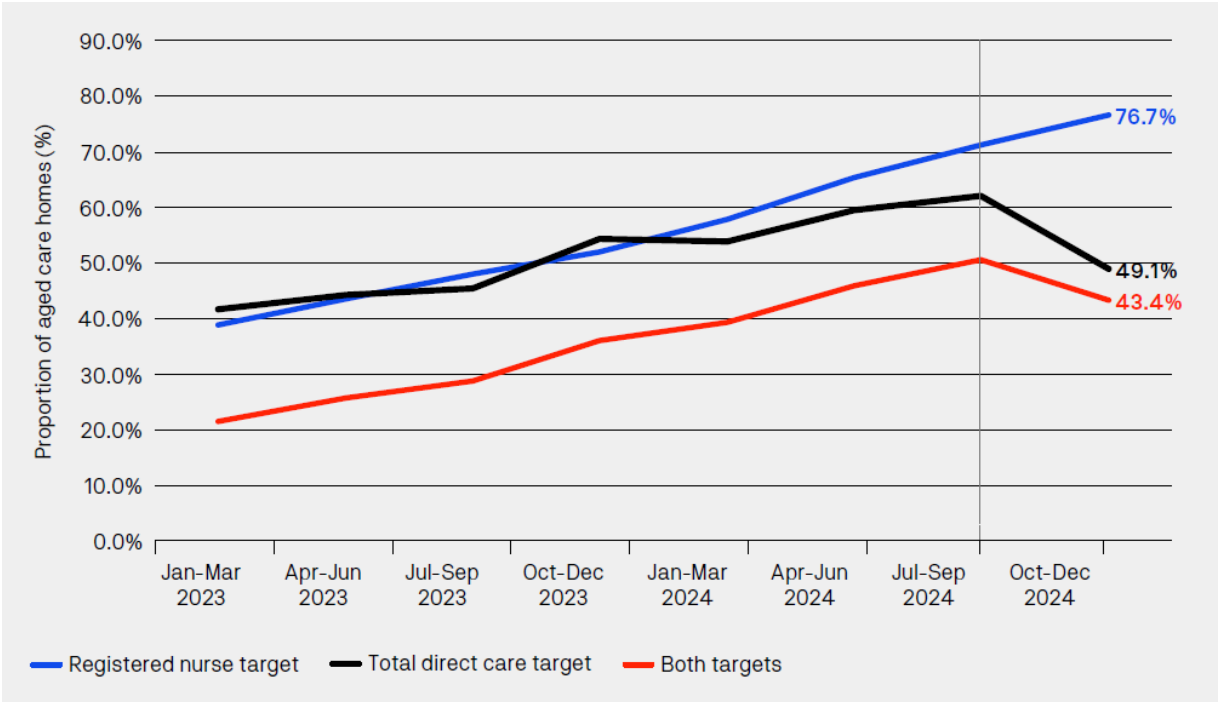
# Residential care

## Many homes still below direct care minute targets

While direct care staffing continues to increase, since the introduction of the increased targets in October 2024, overall compliance has declined.

As at December 2024, only 43.4% of homes met or exceeded both care minute requirements.

Proportion of homes meeting their service-level care minute targets



# Residential care

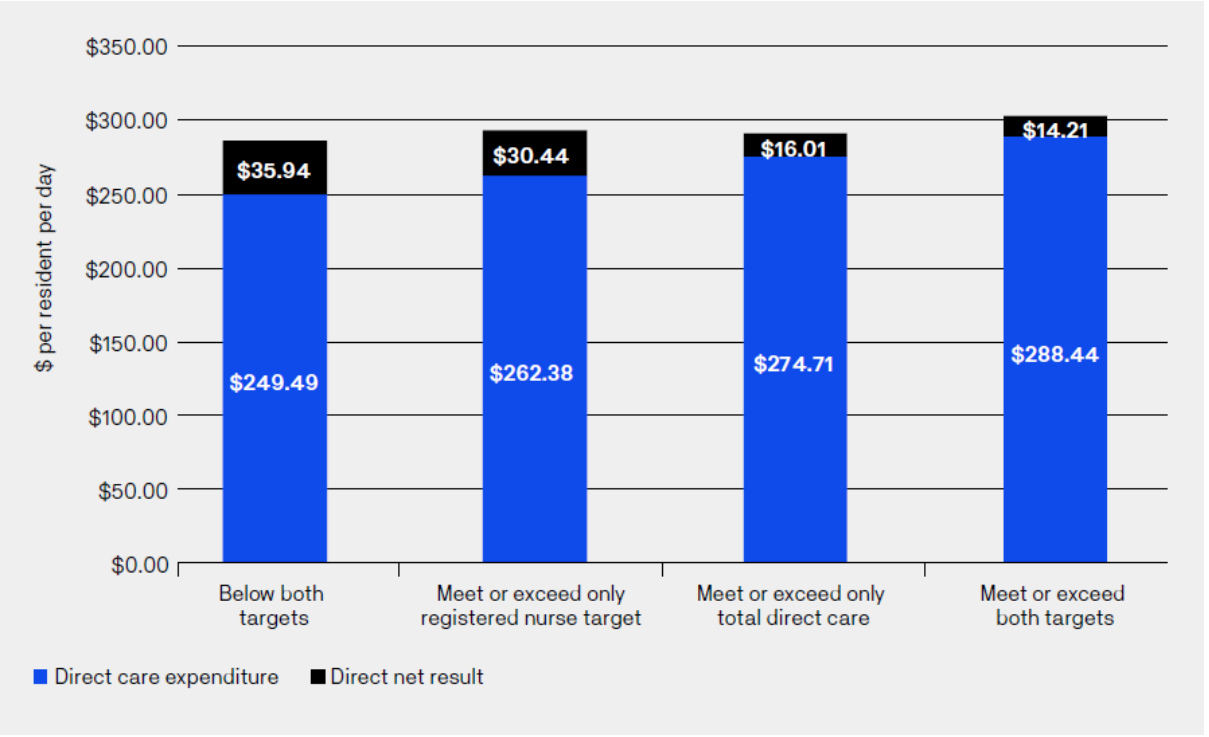
## Care minute compliance drives financial differences

Homes below both their care minute targets (in September 2024), on average, have larger direct care margins than homes that meet (or exceed) either or both their targets.

Preliminary UARC modelling of proposed ‘care minute supplement’ incentive for non-specialised metropolitan homes indicates incentive likely to be stronger for homes:

- Already close to their targets
- With less complex resident casemix

Average direct care expenditure and net result per resident per day, by care minute target compliance



# Residential care

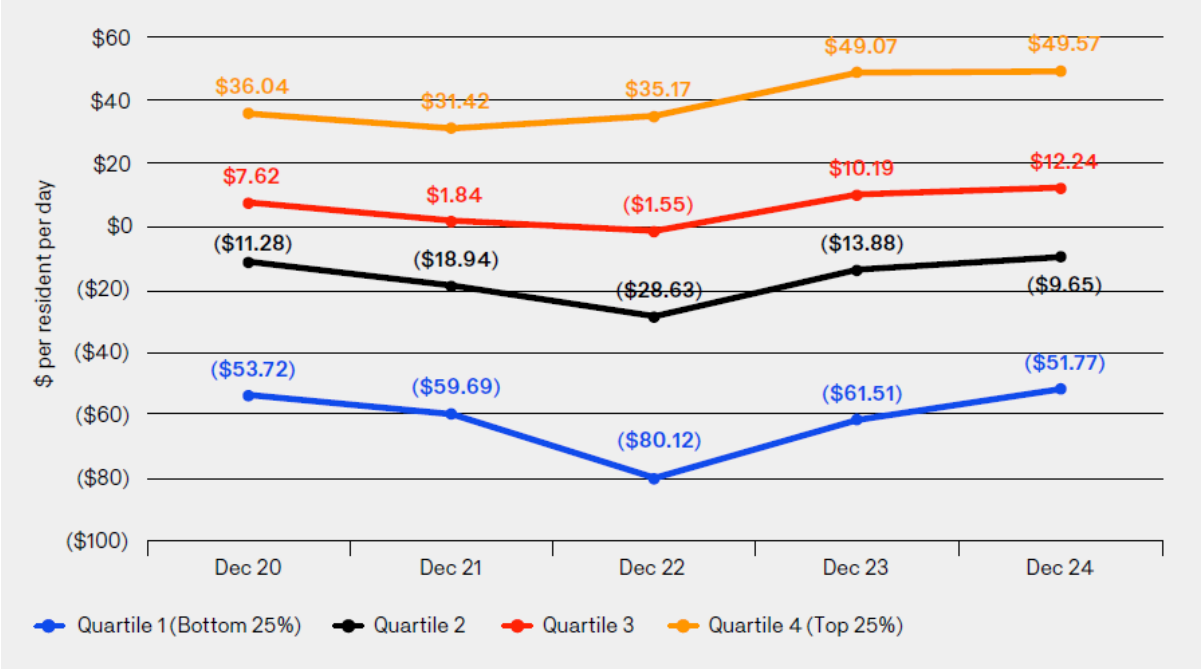
## Performance disparities across the sector persist

In the first half of 2024–25, homes in the top financial quartile outperformed those in the bottom quartile by $101.34 per resident per day.

Differences are largely driven by variations in expenditure—particularly staffing costs—rather than revenue.

As of September 2024, only 35.2% of homes in the top financial quartile met both direct care targets, compared with 59.2% of homes in the remaining 75%.

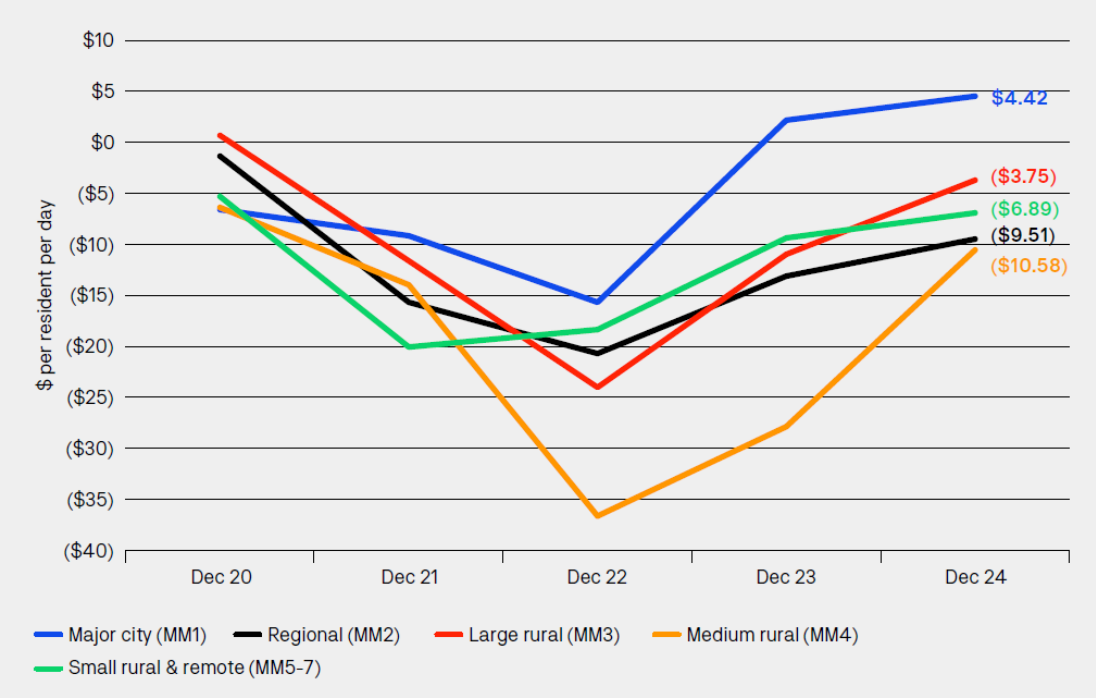
Operating Result and proportion of loss-making homes



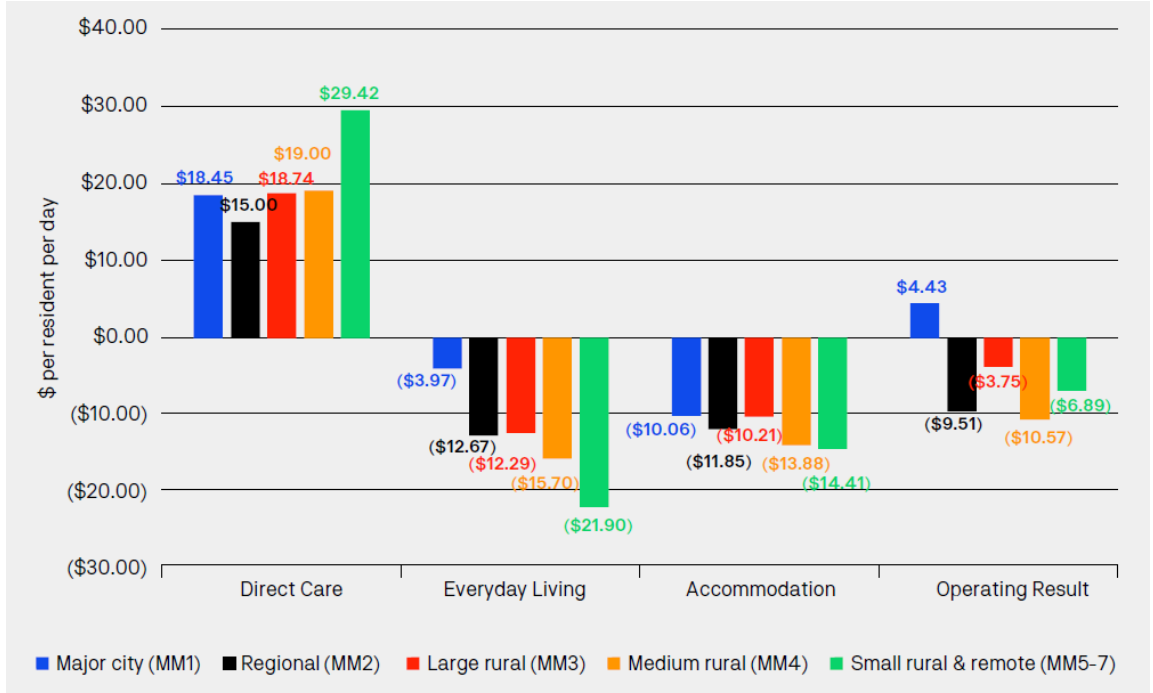
# Residential care

## Some improvement in financial outcomes of non-metropolitan homes

Operating Result, per resident per day, by location



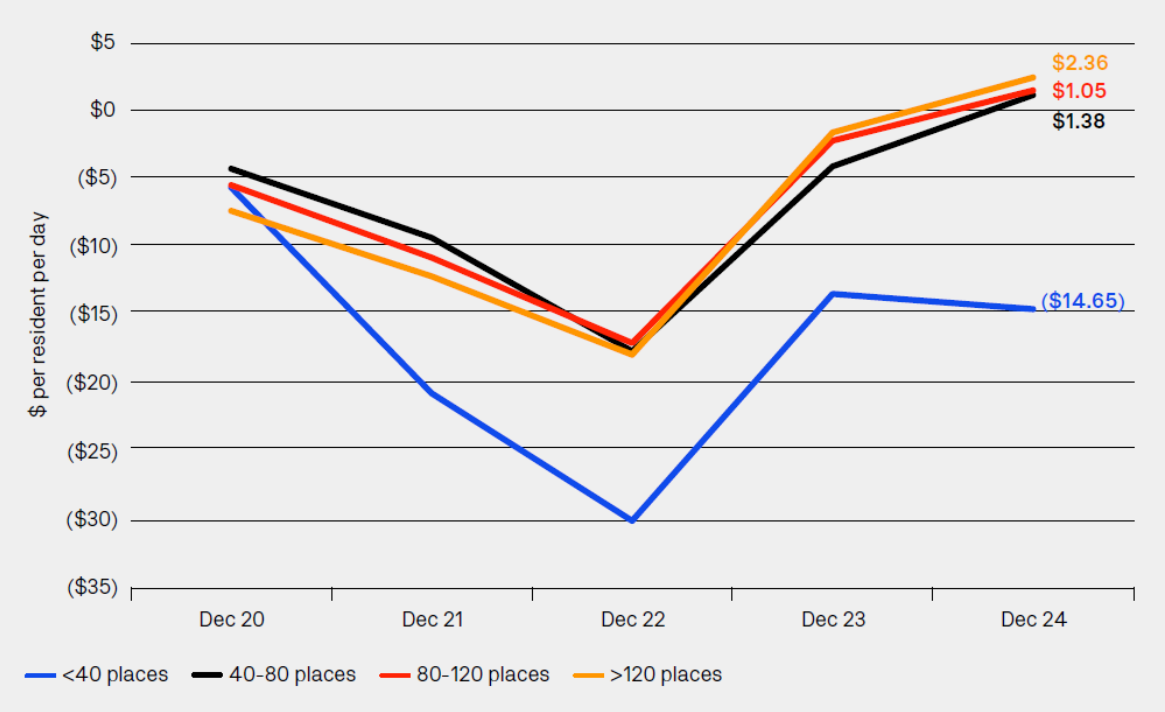

Financial result, per resident per day, by service area and location



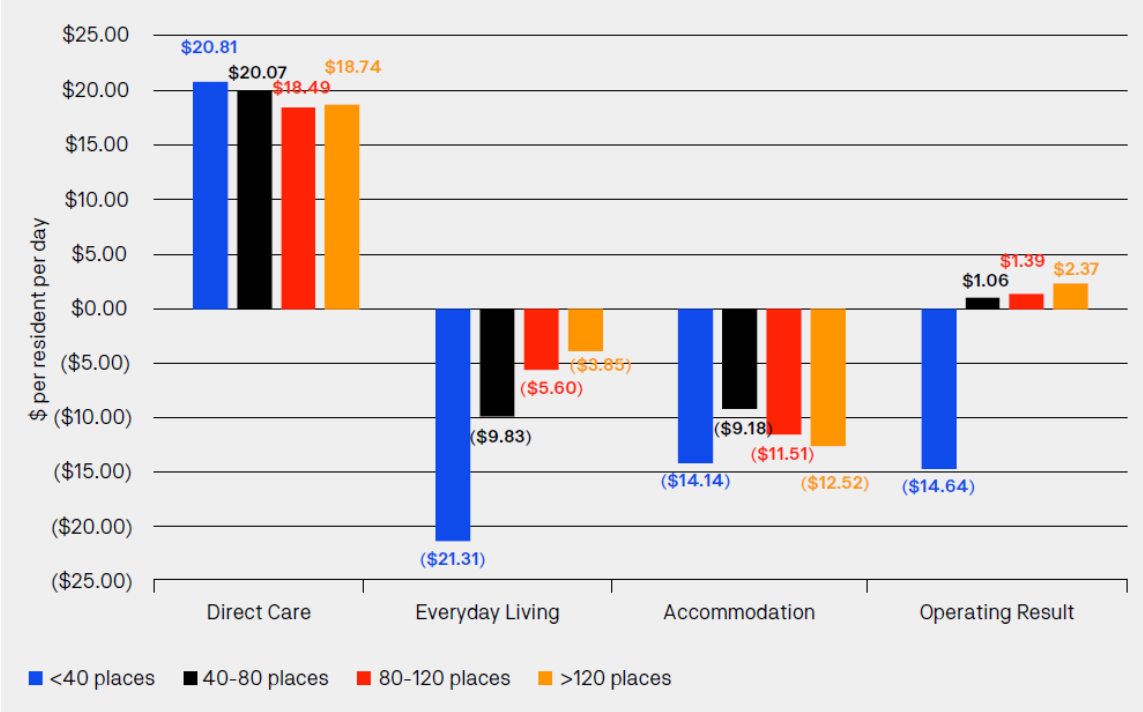
# Residential care

## However, small homes have highest rates of financial distress

Operating Result, per resident per day, by home size




Financial result, per resident per day, by service area and home size



05

# Residential care: reflections

# Residential care

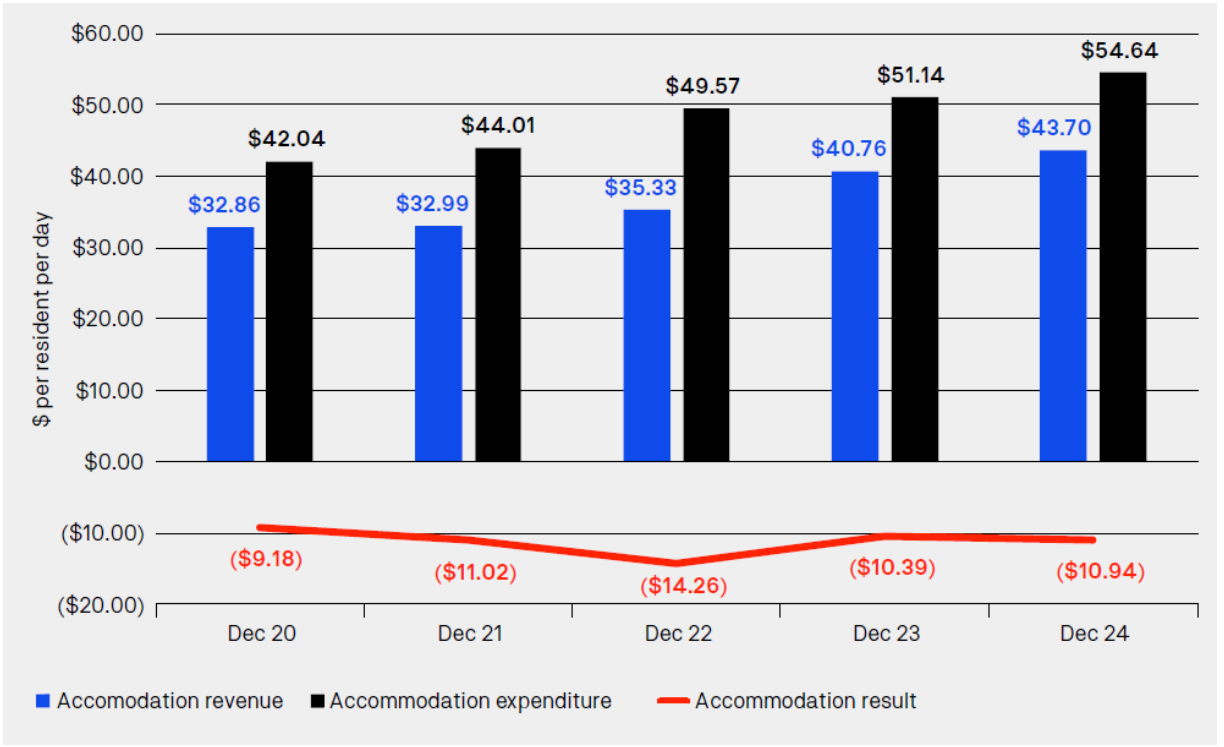
## Urgent reform required to improve viability of accommodation

Accommodation services remain the largest source of financial loss in residential aged care, with average deficits of $10.94 per resident per day, equating to 25.0% of accommodation revenue.

The Government has committed to:

- Higher regulatory price thresholds
- New Refundable Accommodation Deposit (RAD) retention fees
- Indexed daily payments (DAPs).
- An Independent Accommodation Pricing Review – to be conducted in 2025-26.

Accommodation revenue, expenses and net result, per resident per day



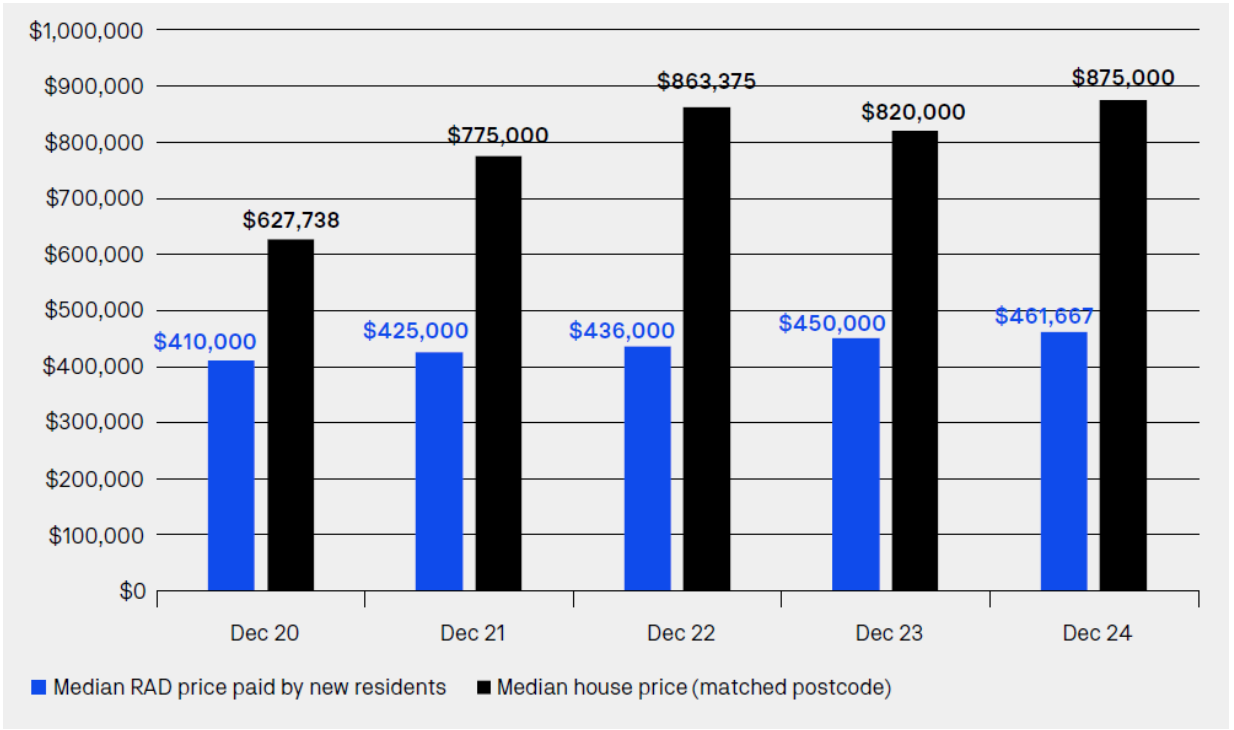
# Residential care

## Accommodation pricing considerations

Growth in accommodation prices has been modest. The median RAD paid by incoming residents rising only 12.6% over the past five years.

As a general principle, prices should be set at levels that recover operational and capital costs and allow for a reasonable return.

Prospective residents' willingness and capacity to pay is a further consideration.



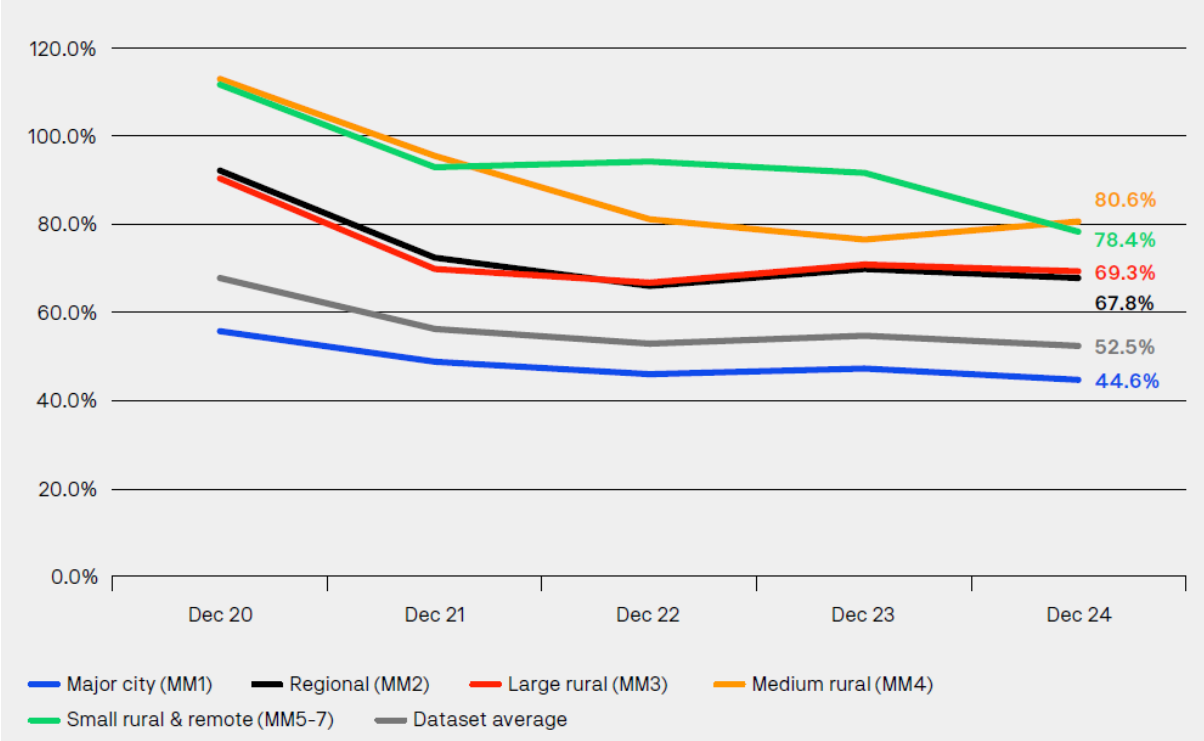
# Residential care

## Regional differences in accommodation pricing

The Aged Care Taskforce reforms may have uneven effects across geographic areas:

- Homes in major cities (MM1), where RAD values are generally higher, stand to benefit more from the introduction of RAD retention fees.
- Older people living outside major cities tend to hold assets which are more difficult to convert into liquid funds for lump sum deposits.
- In non-metropolitan areas RAD prices already consume a substantial share of residents' home asset values, which may constrain future price increases.

**Median RAD price paid by new residents as a proportion of median local house price, by location**



# Residential care

## Liquidity reforms

The ACQCS has proposed a new Liquidity Standard with an enforceable minimum liquidity amount:

- 35% quarterly cash expenses;
- 10% RAD balances; and
- 10% refundable retirement/independent living payment amounts

Potential problems:

- Mitigates rare financial stress scenarios, but disproportionately increases cost of capital
- Overlooks low-risk trading with Government
- Regulatory exemptions may undermine framework credibility

# Residential care

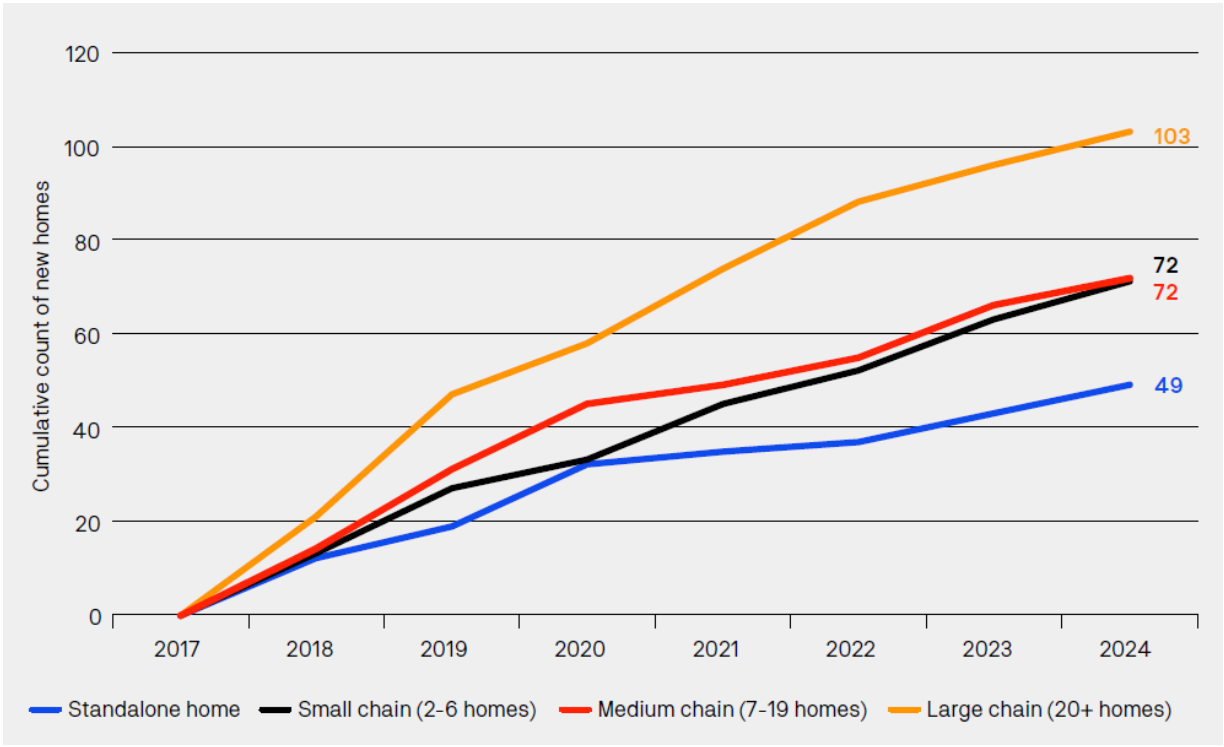
## Potential impact of liquidity thresholds on capital investment

UARC modelling indicates that 12.6% of providers would fall below the minimum liquidity ratio, with the rate of non-compliance increasing with provider scale:

- 3.6% of standalone providers
- 35.7% of large chain (20+ home) providers

Larger providers have been responsible for the largest share of new residential care homes and places.

There is a risk new liquidity requirements may constrain capital investment required to meet demand for residential care.



# Residential care

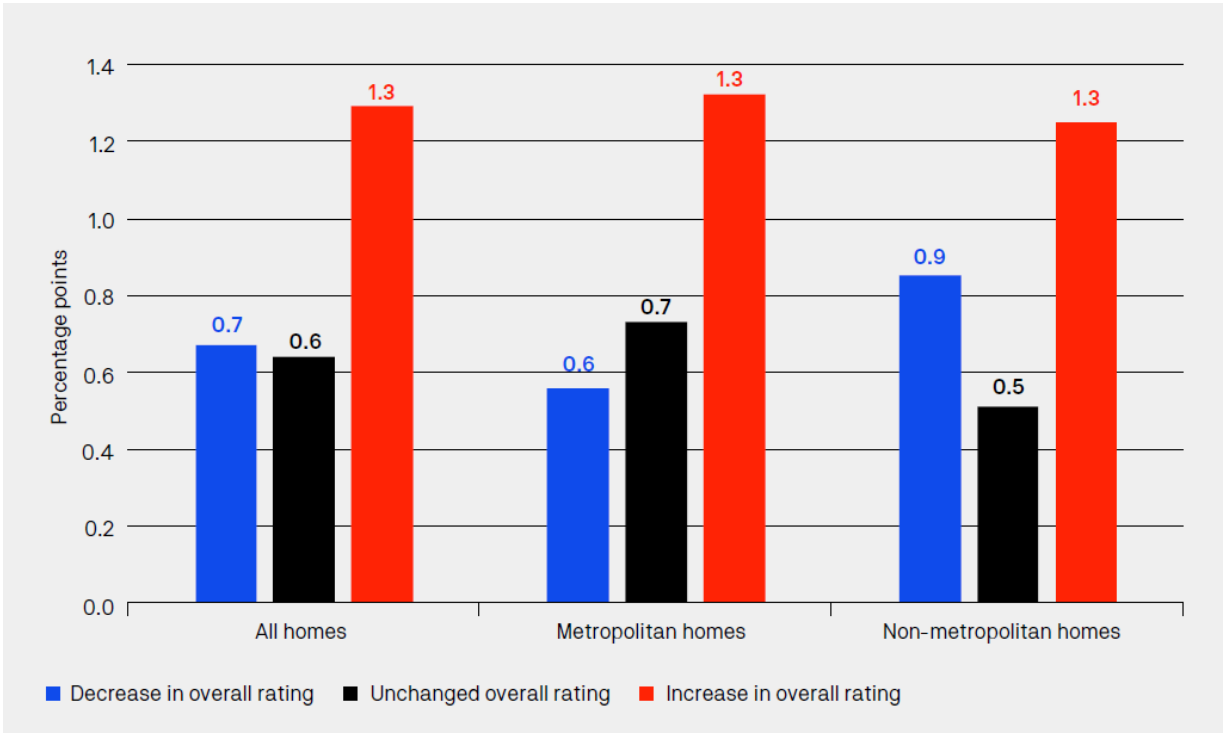
## Star Ratings and occupancy

UARC modelling show that homes with an increase in their overall Star Rating, on average, experienced a larger rise in occupancy compared to those with an unchanged or a decreased rating.

General pattern holds in both metropolitan and non-metropolitan areas.

Higher occupancy is observed for homes which have received increases in staffing and clinical quality rating sub-categories.

**Percentage point change in occupancy rate, by change in overall Star Rating and location**



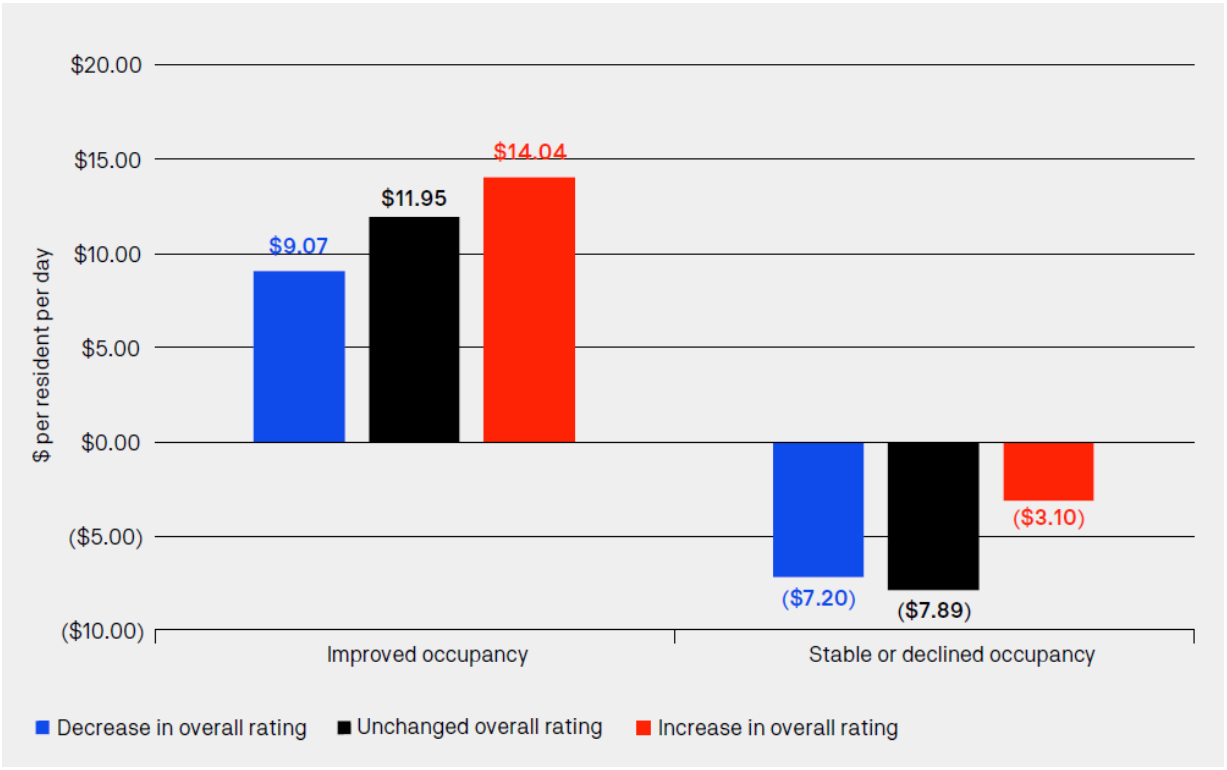
# Residential care

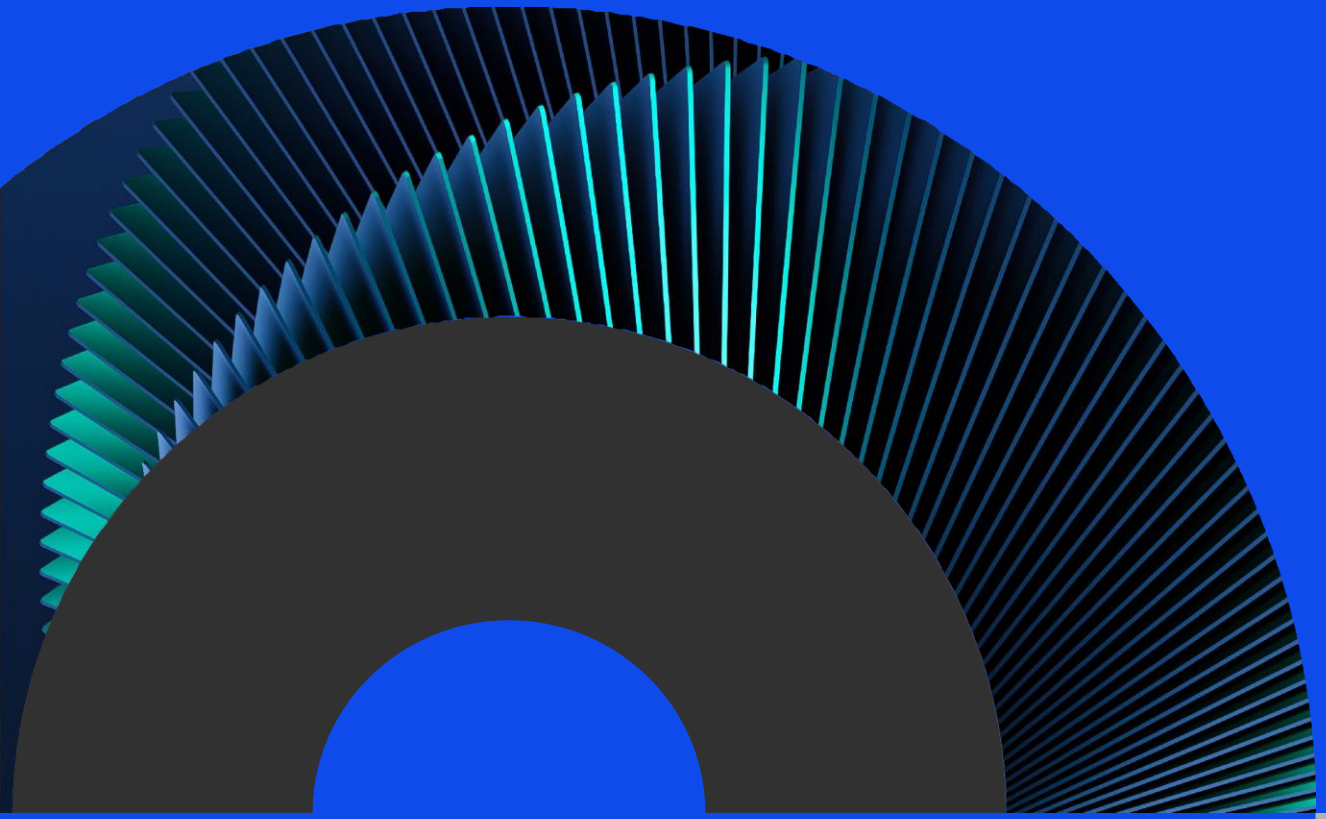
## Star Ratings and occupancy

Improvements in Star Ratings appear to be associated with higher occupancy and stronger financial outcomes.

However, this effect is likely incremental, with the primary financial benefits still stemming from improved occupancy itself.

**Annual average change in Operating Result, per resident per day, by change in occupancy rate and change in overall Star Rating**





# Questions?

Contact:
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