



Ageing
Australia

Ageing Australia Pre-Budget Submission 2026-27

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About Ageing Australia

Ageing Australia is the national peak body representing providers across the aged care and seniors housing sector, including retirement living, seniors housing, residential care, home care, community care and related services.

We represent the majority of service providers, working together to create a sector that empowers older Australians to age with dignity, care and respect.

We advocate for a sector that champions excellence, sustainability, and innovation, ensuring our members have the tools, resources, and guidance they need to deliver exceptional services.

We use our united voice to amplify our members’ contributions and concerns to government, media, and the wider community.

We are committed to reshaping the future of ageing in Australia by fostering collaboration and driving meaningful change, making it a celebrated and fulfilling journey.

Ageing Australia acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, sea, waters and community. We pay our respects to Aboriginal and Torres Strait Islander cultures, and to Elders past and present.

A pivotal moment for aged care delivery

Supporting the sector now to secure the success of aged care reforms

Australia is at a pivotal moment in the delivery of aged care services. The commencement of the *Aged Care Act 2024* (Act) on 1 November 2025 represents the most significant transformation in the sector's history, providing a strong foundation for rights-based, person-centred care. Without successful implementation of these reforms, older Australians may be denied the full dignity, independence and quality of life that a modern aged care system is designed to provide.

To fully deliver on the intent of reforms, targeted investment must be paired with long-term policy direction that positions Australia to meet the needs of a rapidly ageing population – ensuring the aged care system is strengthened, rather than strained, over time. The Australian Government's landmark \$18 billion aged care reform package announced in response to the Royal Commission's findings was a vital first step in creating a sustainable, high-quality and safe system. The recommendations in our 2026-27 Pre-Budget Submission build on this foundation and aim to meet the demands of our growing ageing population with a sector that is not just genuinely sustainable but ready to grow.

Reliance on the aged care system is growing. Over the next two decades, the number of people aged 70+ years is projected to increase by approximately 68 per cent (to 2.3 million).¹ Residential care is projected to double in that period² and demand for home care is set to increase by over 60 per cent.³

This increased demand is not yet being met by increased supply. Australia is building a fraction of the residential care beds we need, with only 802 beds built last financial year – out of an estimated 10,000 required, each year, for the next two decades.⁴ This represents a decline in bed growth of around 60 per cent from the previous financial year,⁵ reflecting ongoing issues with sector viability and investment appeal and a rapid escalation in construction costs.

We also face significant headwinds in ensuring the necessary workforce. If current trends persist, modelling estimates a nationwide shortfall of around 400,000 direct-care aged

¹ Australian Bureau of Statistics (2023), *Population Projections, Australia*.

² Department of Health, Disability and Ageing (2025), *Financial Report on the Australian Aged Care Sector 2023-24*, pp. 88-9.

³ Ibid p. 89.

⁴ Senate Estimates - *2025-26 Supplementary Budget estimates, 9 October 2025*.

⁵ Department of Health and Aged Care (2024) *2023-24 Report on the Operation of the Aged Care Act 1997*, p. 53 & *2022-23 Report on the Operation of the Aged Care Act, 1997*, p. 55

care workers by 2050.⁶ Within the nursing workforce, Australia is projected to face a critical shortage of almost 80,000 nurses by 2035 across all sectors, of which approximately 18,000 FTE are required in aged care.⁷ This reinforces the urgent need to invest in attracting, developing and retaining a strong, sustainable aged care workforce.

Alongside these ongoing pressures, providers are navigating the transition to the new Act – a period that requires stability, clarity and sustained support. Without targeted investment and a genuine long-term workforce strategy, older Australians will see reduced choice and access to critical services will erode.

We recommend that the Australian Government (Government) should urgently focus on two priority areas:

1. **Funding** – ensuring aged care services are adequately funded to deliver high-quality, rights-based care, while supporting sector viability and investability.
2. **Workforce** – building the aged care workforce so that the aged care sector can meet growing demands over the next two decades.

We recognise the current pressures on the federal budget. However, investing in the aged care sector now will help the community overall. Critically, it will reduce further costs to Australia’s national healthcare system which is struggling with a massive growth in demand from older people not properly catered for elsewhere. It will improve access to the right care and support, enhance quality of life of older people and their families and ultimately result in a better future for Australia.

Summary of recommendations

Funding – ensuring the sustainability and investability of the aged care system in Australia

R1: Increase the Accommodation Supplement in the 2026-27 federal budget to support sustainable and investable residential aged care homes

Urgently consider the Independent Review report, in time for 2026-27 budget decisions. Increase the Accommodation Supplement to align funding with the actual costs to maintain, renew and build new aged care homes. An increased supplement will improve access to quality accommodation for older Australians and enable sustained capital investment.

⁶ Committee for Economic Development of Australia (2025), *Duty of Care: How to Fix the Aged Care Worker Shortage*, p. 5.

⁷ Department of Health and Aged Care (2024), *Nursing Supply and Demand Study 2023 – 2035*, pp. 7-8.

R2: Establish a price floor to the Maximum Permissible Interest Rate (MPIR) at eight per cent to support sector investment and market stability

A stable, predictable minimum interest rate for calculating daily accommodation prices will provide financial certainty to both providers and residents. This will boost the investment needed to build more homes to meet rising demand and improve the quality of accommodation.

R3: Undertake a review of the Australian National Aged Care Classification (AN-ACC) funding model to support the viable delivery of high-quality care to older people

Review the AN-ACC costing model to more accurately align care funding with actual provider costs for the annual period.

R4: Introduce a low interest loan scheme, to facilitate the development and renewal of residential aged care homes

Low interest loans provide alternate funding mechanisms at a lower cost of capital. This can support the development of residential aged care homes, particularly in areas where it may not be commercially feasible.

R5: Expand the Aged Care Capital Assistance Program (ACCAP) to support capital development in areas and communities of highest priority

Double the current funding for ACCAP and extend eligibility to priority applications across all locations.

R6: Implement price caps for Support at Home services no earlier than 1 January 2027

Immediately commence independent costing studies using activity and costing data collected under the new Support at Home program.

Release price caps with sufficient time to allow providers to establish new participant service agreements and update systems if necessary.

R7: Increase the care management cap for Support at Home to 15 per cent and review whether a further increase is necessary

An increase in the care management cap will ensure older people receive the care and coordination support they need.

R8: Increase funding for Commonwealth Home Support Program (CHSP) services to support access and ensure ongoing viability prior to inclusion in Support at Home

Undertake a review of CHSP funding and actual unit cost of service delivery prior to the transition of CHSP to the Support at Home program.

Align CHSP indexation rates with real cost growth and regional cost-of-living variations to ensure sustainability.

Workforce – building and sustaining Australia’s care workforce

R9: Expand the Aged Care Capital Assistance Program (ACCAP) to include a dedicated worker accommodation stream

Allocate \$150 million to support modular builds, increase leasing options and expand relocation subsidies to enable providers in non-metropolitan and First Nations communities to recruit and retain staff.

R10: Establish a national Essential Skills Visa for aged and community care

Create a dedicated migration pathway for aged, disability and community care roles. This pathway will include sector-specific wage floors, streamlined employer sponsorship and integrated training, with recognition of prior learning.

R11: Remove Labour Market Testing (LMT) for critical aged care occupations

Amend migration regulations to remove LMT for designated care to expedite recruitment and reduce administrative burden. Implement for a fixed three-year period.

Priority Area 1: Funding – ensuring the sustainability and investability of the aged care system in Australia

Australia’s aged care sector sits at an important crossroads. With the introduction of the new rights-based Act on 1 November 2025, the system is advancing towards a more empowering, transparent and person-centred model of care. This legislative reform comes at a time of rising demand for residential and home care services and presents a significant opportunity to expand capacity, while delivering high-quality and dignified support.

Creating a viable and investable sector that meets the needs and expectations of older people, requires a funding framework that reflects the true cost of delivering high-quality care. Providers are operating in a more complex and costly environment than ever before, with rising operational costs, capital renewal needs and heightened regulatory requirements. While funding has increased following the Royal Commission into Aged Care Quality and Safety, these increases have not kept pace, as evidenced by the continued poor financial performance of the sector and lack of new builds. Without a model that reflects the real cost of high-quality care, the sector cannot remain sustainable or invest into the future. Attracting investment is critical for expanding and renewing aged care homes and services to meet growing demand.

Recommendation 1: Increase the Accommodation Supplement in the 2026-27 federal budget to support sustainable and investable residential aged care homes

Urgently consider the Independent Review report, in time for 2026-27 budget decisions. Increase the Accommodation Supplement to align funding with the actual costs to maintain, renew and build new aged care homes. An increased supplement will improve access to quality accommodation for older Australians and enable sustained capital investment.

Background

The Accommodation Supplement supports those older people who cannot afford to pay for their own accommodation. It is a vital safety net which ensures that income and wealth do not dictate a person's ability to access care. The current Accommodation Supplement rates are substantially lower than those paid by private residents and this gap has grown over time. They are also insufficient to cover the actual costs to maintain and renew residential aged care accommodation.

In the 2024-25 financial year, Australian providers reported an average loss of \$12.05 per resident per day on accommodation, factoring in depreciation and capital renewal.⁸ The real shortfall is much higher than this, as this figure only factors in the maintenance of existing homes. Building new accommodation and fully renewing current stock costs significantly more, creating larger financial challenges for providers. Accommodation Supplement rates must allow providers to cover daily expenses as well as invest in critical upgrades and new residential aged care homes. If not, their capacity to invest in the new beds we so desperately need will remain extremely limited.

While the Residential Aged Care Accommodation Pricing Review (Review) is extremely welcome, the Act requires that the Review's recommendations be delivered to Government by 30 June 2026. We strongly recommend that the Review be delivered to Government in advance of the 2026-27 federal budget to ensure that its recommendations do not wait more than a year to be implemented, worsening the existing bed shortage further. An immediate increase in the Accommodation Supplement is critical to improving access for older people by enabling providers to invest in renewing and expanding aged care accommodation.

Importantly, raising the current Accommodation Supplement rates will reduce the disparity between funding for supported and non-supported residents. Currently, the highest Accommodation Supplement daily rate of \$70.94 is approximately 39.5 per cent

⁸ StewartBrown, Aged Care Financial Performance Survey Report: Twelve months ending 30 June 2025, p. 35.

lower than the average paid by non-supported residents.⁹ Whilst neither of these rates are currently sufficient to attract sufficient capital investment, the substantial and increasing gap between the two is a particular issue.

Recommendation 2: Establish a price floor to the Maximum Permissible Interest Rate (MPIR) at eight per cent to support sector investment and market stability

A stable, predictable minimum interest rate for calculating daily accommodation prices will provide financial certainty to both providers and residents. This will boost the investment needed to build more homes to meet rising demand and improve the quality of accommodation.

Background

The Maximum Permissible Interest Rate (MPIR) is a legislated rate that converts refundable accommodation deposits (RADs) into daily accommodation payments (DAPs) in residential aged care. It establishes a payment equivalence mechanism that is transparent to residents and providers.

As of 1 October 2025, the MPIR, which is adjusted quarterly, sat at 7.61 per cent.¹⁰ Three years ago, the MPIR was only 4.07 per cent.¹¹ The regular, often significant, and largely unpredictable changes in the MPIR make it extremely challenging for providers to attract investment for new builds. As banks and investors prioritise stability and predictability of projects, aged care providers have struggled to secure necessary investment. A lower MPIR can also make non-supported residents more likely to shift towards daily payments (DAPs) over lump sums (RADs). This exacerbates the problem as lenders generally expect RADs to be utilised to pay down loans as quickly as possible and are even less likely to lend if RADs reduce in favour of DAPs.

Establishing a clear price floor will provide greater certainty around the MPIR, reducing volatility and ensuring more predictable capital returns. With margins on care revenue now drastically reduced by Government, the need to improve accommodation revenue streams is critical if we are to see beds being built.

Together with Recommendation 1, these measures would help providers to invest in building the tens of thousands of beds the community will need now and into the future.

⁹ Stewart Brown, Aged Care Financial Performance Survey Report: Twelve Months Ending 30 June 2025. *Based on an average new full RAD of \$562,316 calculated at the current Maximum Permissible Interest Rate (MPIR) of 7.61%.*

¹⁰ Department of Health, Disability and Ageing (2025), [Base interest rate \(BIR\) and maximum permissible interest rate \(MPIR\) for residential aged care](#)

¹¹ Department of Health, Disability and Ageing (2025), published rate for 1 April 2022 to 30 July 2022, [Base interest rate \(BIR\) and maximum permissible interest rate \(MPIR\) for residential aged care](#)

Recommendation 3: Undertake a review of the Australian National Aged Care Classification (AN-ACC) funding model to support the viable delivery of high-quality care to older people

Review the AN-ACC costing model to more accurately align care funding with actual provider costs for the annual period.

Background

The AN-ACC funding model is a case mix framework that was designed to link subsidies to resident care needs and home characteristics, supporting equitable funding across providers.

Providers have raised ongoing concerns about the real impact of the 1 October 2025 AN-ACC price increase. Although the government reported a headline increase from \$282.44 to \$295.64 (a 4.67 per cent uplift) and projected average funding growth of 3.27 per cent, these figures have not translated into equivalent funding increases for providers. Modelling by providers shows that actual AN-ACC funding increases are materially lower, ranging between 1.7 and 2.9 per cent. This difference highlights the significant gap between reported funding averages and what providers are receiving to deliver care.

This funding gap is mirrored in market data. Regis Aged Care Pty Ltd reported an estimated AN-ACC funding increase of only 2.6 per cent,¹² accompanied by a 27 per cent fall in share price following an earnings downgrade attributed to AN-ACC reweighting.¹³ The market response highlights broader investor concern around the model's capacity to sustain sector viability.

The latest funding changes fail to offset rising operating costs, including the flow-on impacts of wage increases awarded through the Fair Work Commission's Work Value Case and higher superannuation contributions. To foster innovation and maintain the sustainable delivery of quality care, providers must be able to generate returns above basic service costs. In the absence of this capacity and given the limited flexibility of existing cost structures, the sector risks converging toward homogenous care service offerings that cannot meet the diverse needs of older Australians.

Without recalibration, the AN-ACC model may embed structural underfunding and discourage the innovation it was designed to promote. The model must evolve beyond cost neutrality to a genuine viability framework that sustains workforce investment, enables service differentiation and supports continuous improvements in care quality.

¹² Regis (2025), [Funding Update and FY26 EBITDA Outlook ASX announcement](#)

¹³ The Weekly Source (2025), [Regis shares dive 27% as AN-ACC reweighting slashes earnings outlook](#)

Recommendation 4: Introduce a low interest loan scheme, to facilitate the development and renewal of residential aged care homes

Low interest loans provide alternate funding mechanisms at a lower cost of capital. This can support the development of residential aged care homes, particularly in areas where it may not be commercially feasible.

Background

Australia is building a fraction of the residential care beds we need to provide accommodation to older Australians in the coming decades. The sector is no longer attracting the capital investment it requires. Under current settings, and with the high cost of construction, this is not likely to change in the short to medium term. Additional support is required from the Government to boost investment appeal.

Ageing Australia is recommending that the Government introduce a low-interest loans scheme. This could take the form of a varied version of the Zero Real Interest Loans (ZRIL) initiative, adjusted for today's market conditions. The ZRIL initiative was a Commonwealth program, originally released through the 2008-09 federal budget and expanded through 2012 Living Longer Living Better reforms. The program was designed to increase the supply and geographic spread of residential aged care beds by lowering the cost of debt through providing low-cost, zero real interest loans to approved providers.

By reducing the cost of capital for construction and facility expansion, the scheme unlocked projects that were not viable under standard commercial finance metrics alone. It boosted investment in new beds and improved access to care for older Australians.

Our proposed variation requires providers to match (or substantially match) the loan with private investment or external commercial debt financing. Matching the ZRIL loan with provider contributions lowers providers' overall cost of capital, while signalling market confidence and risk sharing to private capital markets and lending institutions.

Such a scheme would support providers to expand, particularly by leveraging Government loans to attract private co-investment, where full private funding falls short or the cost of commercial debt too high. We propose the scheme applies to all beds, not just supported residents. Most homes blend supported and non-supported residents, a model that ensures financial sustainability. Restricting new facilities to supported residents only would misalign with current operations and reduce viability, as Accommodation Supplement revenue is insufficient to cover the cost of accommodation.

Alongside Recommendations 1, 2 and 3, a Government-backed low-interest loan scheme would attract co-investment, reduce the cost of capital, and accelerate the construction of modern residential aged care homes.

Recommendation 5: Expand the Aged Care Capital Assistance Program (ACCAP) to support capital development in areas and communities of highest priority

Double the current funding for ACCAP and extend eligibility to priority applications across all locations.

Background

Currently ACCAP provides grants to build or upgrade aged care homes where older Australians have limited or no access. It aims to increase access to aged care in thin markets for people from Aboriginal and Torres Strait Islander communities, who are homeless or with complex needs, or who are living in regional, rural and remote areas.

Metropolitan areas contain the largest absolute population of older Australians, with the highest volume of demand for residential aged care places. Population projections consistently show that most growth in Australians aged 80+ will occur in major cities and outer-metropolitan growth corridors, placing sustained pressure on metropolitan residential infrastructure. Despite this demand, new residential development in metropolitan areas remains limited, driven by high land and construction costs, planning complexity, and weak project viability under current funding and financing settings.

As currently designed, ACCAP is not able to meet the demand for infrastructure support in residential aged care, including for developments in MMM1. In September 2025, Round 3 of the Residential-based Aged Care Services Grant Opportunity awarded \$300 million for 66 infrastructure projects. Only 18 per cent of applications were successful in that round, with only 12.5 per cent of the total bid (\$2.4 billion) awarded. No grant funding was awarded to projects in MMM1.

We recommend ACCAP be expanded by:

- doubling the funding for this grant program (currently \$966.5 million over four years to June 2028), and
- extending eligibility to include applications for residential aged care capital projects at any location where priority need for infrastructure support is demonstrated.

Doubling ACCAP funding will go some way to providing financial support for aged care capital development. Revising eligibility will ensure funding is directed to the highest-need projects, regardless of location.

This approach will ensure more targeted allocation of capital grants to improve access to residential aged care for priority populations, align supply with local demand, and help to ameliorate commercial and construction challenges.

Recommendation 6: Implement price caps for Support at Home services no earlier than 1 January 2027

Immediately commence independent costing studies using activity and costing data collected under the new Support at Home program.

Release price caps with sufficient time to allow providers to establish new participant service agreements and update systems if necessary.

Background

The Support at Home program is a significant reform, and an effective pricing framework will be pivotal to older people's ability to access care. Ageing Australia welcomes the role of the Independent Health and Aged Care Pricing Authority (IHACPA) in shaping evidence-informed funding for aged care.

The experience of pricing in residential aged care and the National Disability Insurance Scheme (NDIS) has shown that getting the first years right is essential to protecting consumers and ensuring market stability. The pricing advice provided by IHACPA should enable consumer protections, support innovation and strengthen the capacity and viability of providers across all communities. It needs to foster equity and access and support market stability. It is critical that pricing is grounded in the right evidence, using data from the Support at Home program.

The proposed introduction of price caps risks driving providers to a lowest common denominator and reducing access unless based on robust evidence, for the benefit of both participants and providers. However, the currently proposed pricing methodology – involving pre-reform prices and a July 2026 implementation – will not achieve this outcome.

To be successful, and reflect real-life costs, caps need to consider two key factors:

- **Appropriateness of the data:** IHACPA plans to use past data from 2024, for services delivered under the now defunct Home Care Package (HCP) program. Data needs to be informed by the new Support at Home program, to align with the actual costs of delivering new services under the new legislation and capture rapidly increasing compliance costs and other variations arising since 1 November 2025.
- **Timing of price cap:** The current timeframe is not feasible, unless outdated data is used, which would lead to a poor outcome for older people. Instead, IHACPA's independent costing studies should commence immediately on Support at Home prices, to be completed by mid-2026 – providing contemporary data. The Government then requires time to consider IHACPA recommendations, and the sector requires time to re-price services and update systems if necessary. We estimate this cannot be achieved earlier than 1 January 2027.

The proposed implementation is only two months longer than the originally agreed timeframe of setting price caps within 12 months of the start of Support at Home.

Ageing Australia recommends that the Government implement price caps for Support at Home services no earlier than 1 January 2027, with the following key timeframes:

- collect provider expenditure data and monitor market demand throughout the first six months of Support at Home implementation (December 2025 to June 2026)
- provide advice to the Government by August 2026, to enable the release of price caps information by September 2026
- introduce price caps no earlier than 1 January 2027, allowing providers time to budget and re-price services, update systems, and establish new participant service agreements.

Recommendation 7: Increase the care management cap for Support at Home to 15 per cent and review whether a further increase is necessary

An increase in the care management cap will ensure older people receive the care and coordination support they need.

Background

The Government's decision to reduce the care management cap from 20 per cent to 10 per cent has placed older people at risk, especially at a time when participants need strong care management to navigate complex care arrangements.

Providers have consistently reported that this decision "introduces significant risk of deteriorating quality and availability of care". We are extremely concerned that this could result in providers being unable to provide services to high acuity participants as they cannot do so safely with such a small care management component. In addition, it has already led to a reduction in the care management workforce, much of which are registered nurses, and this will continue as the reforms bed in over time.¹⁴

Evidence presented to the Senate Inquiry into Aged Care Service Delivery indicates that reducing the care management cap to 10 per cent is misaligned with actual sector costs (and activity), which currently average around 17 per cent. The lower care management cap undermines the quality and safety of care and consumer protections for older Australians – particularly for those with complex needs and/or in regional areas.¹⁵

Care management has often been mischaracterised as simply an administrative activity, but this is simply untrue. Care partners, funded through care management pricing,

¹⁴ Australian Senate Community Affairs References Committee (2025), "Aged Care Service Delivery," [Parliament of Australia](#), p.90

¹⁵ Australian Senate Community Affairs References Committee (2025), "Aged Care Service Delivery," [Parliament of Australia](#), p.89

support older people to receive rights-based care, where and when they need it. They ensure that a participant can take full advantage of the services available and support them through their care journey. Participants often rely heavily on care partners for support well beyond transactional tasks such as setting up or reviewing a care plan. The reduction in care management risks isolating older people, and these impacts will be particularly negative for those from Culturally and Linguistically Diverse (CALD) backgrounds, First Nations elders or with conditions such as dementia, making it harder for them to continue to age at home.

Effective care management elevates quality of life for older people, while also preventing the downstream costs of avoidable hospital admissions and acute health services.

A critical first step should be the partial restoration of the care management gap to 15 per cent in the first instance. This will support appropriate levels of care management to older Australians at this critical time of reform. The Government should then commence a review of care management needs, delivery and cost effectiveness to assess whether an additional increase is required.

Recommendation 8: Increase funding for Commonwealth Home Support Program (CHSP) services to support access and ensure ongoing viability prior to inclusion in Support at Home

Undertake a review of CHSP funding and actual unit cost of service delivery prior to the transition of CHSP to the Support at Home program.

Align CHSP indexation rates with real cost growth and regional cost-of-living variations to ensure sustainability.

Background

Investment in CHSP and entry-level aged care plays a crucial role in reducing pressure on Australia's broader care systems and on supporting older people live with dignity and independence. CHSP supports older people to stay well and remain at home. As these services are generally accessed long before individuals reach crisis points, they help prevent premature hospital admissions and the need for more intensive aged care interventions. Additionally, with over 20 per cent of older participants identifying as Aboriginal and/or Torres Strait Islander, or as having CALD backgrounds,¹⁶ CHSP remains an important service in supporting equitable access to care.

Lack of growth funding over many years, and use of the program to support those waiting for homecare packages (now Support at Home), has exacerbated delays and unmet need in the CHSP. Some regions have experienced many years of funding stagnation, while demand has grown significantly. At a recent CHSP summit, a provider

¹⁶ Department of Health, Disability and Ageing (2025), *Aged Care Data Snapshot – 2025*, Australian Institute of Health and Welfare, Australian Government

summarised the sector's concerns: "CHSP services are not accessible as there have been no increases in funding for additional outputs in this region for over ten years. The average waiting time for services in our region is over a year. Some services have stopped keeping waiting lists, as it is pointless. This is a significant missed opportunity and will lead to earlier decreases in function, deterioration and nursing home admission".

Over the past decade, provider obligations under program contracts have increased significantly, leading to a rise in the cost of delivering a unit of service – well above standard government indexation rates (including for wages). Over time, the lack of appropriate indexation has resulted in significant funding shortfalls and is a major constraint to effective service delivery.

Ageing Australia has received numerous reports from providers highlighting concerns about operating under deficit budgets. In some cases, the Department of Health, Disability and Ageing has responded by agreeing to reduce output targets to support financial viability. While this may provide short-term relief, decreasing the number of older people a provider must support with its grant funding is not a solution. A sustainable, long-term funding solution is needed to ensure the core objective of providing 'entry-level aged care support to as many people as possible' can be met.

Given these pressures, there is a clear need to undertake a review of CHSP funding and the actual unit cost of service delivery ahead of the program's transition to Support at Home. Regional cost-of-living variations must feature in this review, to account for the higher costs faced by CHSP providers in regional, rural and remote locations. Such a review would help ensure future pricing and funding models reflect the true cost of providing quality, sustainable care with consideration towards its transition to the Support at Home program.

CHSP supports the largest proportion of older Australians who receive care, with around 840,000 people relying on it to remain living independently. Its relationship-based model of care plays a vital role in supporting social connection and wellbeing within communities. Given the sheer scale of people supported, maintaining market stability and continuity of care is essential in the lead-up to CHSP being incorporated into Support at Home. CHSP providers must remain financially viable and prepared to transition to the new pricing arrangements.

The transition of CHSP also needs to be planned well. We have started the conversation about an entry-level aged care program for the future, including a focus on wellness and prevention, local flexibility, empowering carers and volunteers and aligning funding with outcomes. This focus, combined with thin market supports, is essential to addressing barriers such as limited community infrastructure and the higher costs associated with Support at Home care in locations where service delivery requires travelling greater distances and where there are fewer people in need of those services.

Once CHSP does transition, a strong set of supports for those in need of entry-level care must be incorporated into Support at Home. The current financial pressure on CHSP providers and the negative impacts this has on older people, risk this aim.

Priority Area 2: Workforce – building and sustaining Australia’s care workforce

Australia’s aged and community care workforce underpins the delivery of safe, high-quality and person-centred care. Yet, the sector faces an unprecedented and structural workforce crisis that threatens access and sustainability. The demand for care workers is projected to outpace supply by more than 400,000 workers by 2050, driven by demographic change, population ageing and an increasingly complex care environment.

By 2044, it is expected that more than 1.8 million Australians will require home-based care services, including both home care packages (HCP) and Commonwealth Home Support Programme (CHSP) services, and approximately 410,000 will require residential aged care. This compares with approximately 300,000 people currently accessing HCP and more than 830,000 accessing CHSP services, and around 200,000 in residential care today,¹⁷ respectively.

To meet these needs, Australia will require a workforce that is larger, more highly qualified and more geographically distributed. However, chronic shortages across nursing, allied health and personal care roles are already constraining service capacity, with many providers unable to fill funded care packages or meet care minute targets.

These pressures are compounded by workforce maldistribution: regional and remote communities experience vacancy rates double those of metropolitan areas. In many cases, accommodation shortages, limited migration access and insufficient local training pathways prevent providers from recruiting or retaining adequate numbers of staff.

The commencement of the new Act further elevates workforce expectations, embedding new care minute, quality and governance requirements. Meeting these obligations requires urgent investment in both short-term workforce supply (through migration and accommodation measures) and long-term sustainability (through local training and retention initiatives).

We propose three targeted measures to stabilise and expand the workforce, aligning with the Government’s migration strategy,¹⁸ the National Care and Support Economy

¹⁷ Australian Institute of Health and Welfare (2025), *Quarterly financial snapshot of the Aged care sector – January to March 2025*.

¹⁸ See Commonwealth of Australia (2023), *Migration Strategy: Getting Migration Working for the Nation*.

Strategy,¹⁹ and Jobs and Skills Australia workforce forecasts.²⁰ Together, these initiatives aim to secure the people, skills and infrastructure required to deliver safe and dignified aged care for all Australians.

Recommendation 9: Expand the Aged Care Capital Assistance Program (ACCAP) to include a dedicated worker accommodation stream

Allocate \$150 million each year to support modular builds, increase leasing options and expand relocation subsidies to enable providers in non-metropolitan and First Nations communities to recruit and retain staff.

Background

Regional and remote aged care services face some of the highest vacancy rates in the care economy. Our members report that a lack of available housing is a significant barrier, a challenge intensified by the broader regional housing shortage, with rental vacancy rates in some areas falling to just 0.8 per cent.²¹

Without access to housing, providers struggle to attract workers from other regions or overseas. Staff turnover rates in rural services are consistently higher than in metropolitan areas leading to reliance on costly agency staff and ultimately resulting in service reductions. The impact on older Australians is profound: in some communities, providers are forced to reduce admissions or reduce the number of beds available due to staff shortages.

The ACCAP provides crucial infrastructure funding but remains heavily oversubscribed.

In the latest round, 397 applications sought over \$1.7 billion, with just \$250 million awarded.²² Only a fraction of projects funded included staff accommodation. There is clear policy alignment and strategic value in positioning workforce accommodation as part of the Government's wider housing agenda, with additional aged care housing infrastructure able to support national efforts to expand overall supply. Establishing a dedicated workforce accommodation stream within ACCAP would directly address this constraint, funding modular builds, staff quarters or rental subsidies tied to retention outcomes.

Evidence from pilot programs demonstrates that providers offering housing or relocation assistance report retention improvements of ten to 15 per cent, alongside measurable

¹⁹ See Department of the Prime Minister and Cabinet, Care and Support Economy Taskforce (2023), *Draft National Care and Support Economy Strategy*.

²⁰ See Jobs and Skills Australia (2025), *Connecting for Impact: Aligning Productivity, Participation and Skills: Jobs and Skills Report 2025*.

²¹ Domain (2025), *September 2025 Rental Report*.

²² See Department of Health and Aged Care (2025), *Aged Care Capital Assistance Program (ACCAP) – Residential Aged Care Services Grant Opportunity (GO6989) Results*.

reductions in agency costs. Within two years this measure could support up to 1,200 accommodation packages, providing immediate relief for regional vacancies. Over five years this is projected to increase to 2,000 to 3,000 additional aged care workers in regional, rural and remote localities. This measure aligns with the Government's objectives to strengthen regional equity, support workforce participation and improve service continuity for First Nations communities.

Recommendation 10: Establish an Essential Skills Visa for aged and community care

Create a dedicated migration pathway for aged, disability and community care roles. This pathway will include sector-specific wage floors, streamlined employer sponsorship and integrated training, with recognition of prior learning.

Background

Migration will continue to play an essential role in sustaining Australia's care economy for many years to come. Nearly one in three aged care workers was born overseas, yet existing migration pathways do not adequately support the sector's needs. The Aged Care Industry Labour Agreement (ACILA), introduced in 2023, was an important step but remains underutilised, with only 418 visas issued in its first year. Providers cite cost, complexity and Labour Market Testing requirements as barriers to uptake.²³

At the same time, the global competition for care workers is intensifying. Countries such as the United Kingdom and Canada have launched dedicated aged care visas with streamlined processing and regional placement incentives. Australia has already fallen behind and risks losing potential workers to competing destinations offering clearer pathways to permanency.

An Essential Skills Visa for aged and community care would create a unified, sector-specific pathway to recruit care and support workers, nursing support staff and allied health assistants. The visa should include:

- clear wage floors consistent with the *Aged Care Work Value Case*
- on-arrival induction, supervision and skills recognition requirements
- regional and First Nations incentives
- exemption from labour market testing for critical occupations.

This model aligns with the Government's Migration Strategy (2023) and the *National Skills Passport* initiative, by enabling ongoing upskilling and mobility within the broader

²³ See CEDA (2025), [Duty of Care: How to Fix the Aged Care Worker Shortage Report](#).

care and support economy.²⁴ It would also complement domestic 'grow-your-own' programs, by filling workforce gaps while long-term training pathways mature. The proposal will build a more stable and skilled workforce that can provide better continuity of care for older Australians.

Conservative modelling suggests that over five years, this approach would add 20,000–30,000 aged care workers, supporting access for up to 100,000 older Australians and generating over \$1 billion in additional taxable income.

Recommendation 11: Remove Labour Market Testing (LMT) for critical aged care occupations

Amend migration regulations to remove LMT for designated care to expedite recruitment and reduce administrative burden. Implement for a fixed three-year period.

Background

Approximately 30 per cent of the aged care workforce is made up of migrant workers.²⁵ Due to competition and high demand, driven by care minutes and 24/7 registered nurse requirements, providers have a strong and consistent need to recruit migrant workers. A survey conducted in 2024 found that 42 per cent of providers were likely to increase their migrant workforce in the next 12 months.²⁶

Despite this high level of interest, providers report difficulties accessing workers under the current migration arrangements. Ageing Australia's *State of the Sector: Aged Care 2024* report found that just 36 per cent of providers had been able to access the workers they required.²⁷ The LMT requirement significantly delays the recruitment of overseas care workers. Employers must advertise roles for at least four weeks before nomination, often extending total processing times to eight to 12 weeks. For small and regional providers, this adds cost and complexity that many cannot absorb, contributing to ongoing vacancies and high agency expenditure.

The purpose of the LMT, to prioritise local recruitment, is already being achieved through aged care reforms that invest heavily in domestic training and retention. Maintaining it in a sector with well-documented, long-term shortages across the nation imposes

²⁴ See Commonwealth of Australia (2023), *Migration Strategy: Getting Migration Working for the Nation*; Department of Education (2024), *National Skills Passport Consultation*.

²⁵ Committee for Economic Development of Australia (2021), *Duty of Care: Meeting the Aged Care Workforce Challenge Report*, p.27.

²⁶ Aged & Community Care Providers Association (2024), *State of the Sector: Aged Care 2024 Report*.

²⁷ Ibid p. 28.



unnecessary administrative burden without improving employment outcomes in any way.

Removing LMT for aged care-specific occupations under the ACILA and our proposed Essential Skills Visa would accelerate recruitment, align with exemptions already granted to other shortage sectors (such as health and agriculture), and ensure policy coherence with the Government's Migration Strategy (2023).

This change would cost nothing to implement yet deliver measurable impact: faster workforce onboarding, reduced agency reliance, and improved compliance with care-minute and RN coverage obligations under the new Act. A three-year exemption, subject to review, would balance urgency with oversight.