Submission to the Residential Aged Care Accommodation Pricing Review

28 October 2025

Introduction

Juniper Aged Care is pleased to contribute to the Residential Aged Care Accommodation Pricing Review (the Review) into the appropriateness of current settings for the Accommodation Supplement and accommodation pricing within the residential aged care sector.

Juniper is one of the largest not-for-profit aged care service providers in Western Australia with more than 2,000 employees, delivering both home and residential care throughout metropolitan, regional and remote areas in the Kimberley region to more than 7,000 people. The breadth of Juniper's footprint in WA is unmatched in the State. In some remote locations, Juniper is the only aged care service provider.

Juniper strongly supports the Review's resident-focused approach, grounded in the Statement of Rights outlined in the Aged Care Act 2024, which respects the rights and needs of the most vulnerable older Australians.

This approach reflects Juniper's commitment to ensuring all older Australians, particularly those with low means, can access high-quality accommodation and services that uphold their dignity and rights.

In our submission, we offer our insights on the policy, program, funding, and administrative settings that shape the current accommodation framework and offer possible solutions to ensure:

- Equity of contribution and outcomes for residents
- Low means residents continue to have access to high-quality, person-centred accommodation within residential aged care
- Providers like Juniper invest in and deliver accommodation that meets the diverse and growing needs of Australia's ageing population
- An environment that allows the aged care sector to be innovative and attract much-needed investment
- The adequacy of accommodation revenue, including the Accommodation Supplement, particularly in light of recent reforms
- The long-term sustainability of the sector
- Juniper's intent is to help ensure a framework where government can properly support providers to enable good quality, safe, affordable and equitable aged care services to give Australians in need a roof over their head. The current arrangements make this difficult, especially for those of us operating in the not-for-profit or for purpose sector. This submission outlines how the needs of residents can be balanced with the financial viability of providers, ultimately supporting the future of residential aged care in Australia.

Juniper welcomes the opportunity to discuss our concerns and solutions further. If you require any further information, please do not hesitate to contact us.

Russell Bricknell
CEO, Juniper Aged Care
E: russell.bricknell@juniper.org.au
P: +61 8 6119 5991

Issues at play

Cost of capital

The Accommodation Supplement for aged care in Australia falls far short of the true cost of capital for new and rebuilt facilities (~$165/day). This gap undermines the financial viability of new builds, delaying essential investment.

The issue is especially acute in Western Australia, where high construction costs—between $570,000 and $620,000 per bed— and a shortage of tradespeople are making it too expensive to build new aged care facilities.

Getting a builder in WA is extremely difficult, resulting in providers paying above odds to engage them on a job. With little construction activity, many builders are also hesitant to take on aged care projects. The situation is further exacerbated in regional and remote WA.

The Aged Care Funding Taskforce identified that the Weighted Average Cost of Capital (WACC) for aged care providers is 10%.

It is important to understand, this is not a profit margin for the industry, rather the discount rate (made up of the risk-free rate and the risk weighted rate of return) applied to a discounted cashflow analysis of a business case.

Simply put, the cost of capital in residential care can be determined by multiplying the cost to construct per bed (WA provider-based cost data indicates an average construction cost of $600,000 per bed) by the WACC and dividing by 365 to obtain a daily rate, approximately **$165 per bed per day**.

This ensures the operations of a facility generate sufficient cashflow to service depreciation, maintenance and future redevelopments throughout the life of the building.

Getting a builder in WA is extremely difficult, resulting in providers paying above odds to engage them on a job.

Accommodation Supplement

While many low means residents currently receive quality accommodation, reform of the Accommodation Supplement is needed to ensure this standard can be sustainably maintained—by aligning the subsidy with the true baseline costs of capital and service delivery.

The Accommodation Supplement is reviewed half yearly and moved in line with movements in the pension. The indexation system works fine, but the subsidy rate hasn't been updated to reflect the actual cost of capital in residential care for more than 10 years. The current rate is approximately **$46.26 per bed per day** for an older un-refurbished facility, a gap of **$118.74 per bed per day** to the cost of capital.

This supplement is paid if providers accommodate concessional residents in their facilities at or above the minimum concessional resident ratio which varies based on local government area but on average represents 25% of beds.

Providers can supplement the base accommodation supplement rate in older buildings provided they undertake a significant refurbishment that improves amenity for residents.

This is a significant refurbishment grant paid on a daily basis provided there are 40% or more concessional residents within a facility.

The current significant refurbishment amount when added to the accommodation supplement base rate is approximately **$70.94 per bed per day**, a gap of **$94.06 per bed per day** to the cost of capital.

Funding an increase in the Accommodation Supplement

An increase in the Accommodation Supplement will require trade-offs in funding areas, an increased investment by Government, and a creative use of incentives to stimulate provider readiness to invest.

The first step in any increase would be to bundle the current Accommodation Supplement and Significant Refurbishment Grant payment into a single payment available for new, refurbished and redeveloped facilities that accommodate a minimum concessional resident ratio of 40%.

This lifts the supplement rate to **$70.94 per bed per day** for all facilities approaching 43% of the cost of capital. This approach then enables providers to build facilities in areas with a high presence of potential concessional residents, for example, metropolitan and peri-urban fringe, regional and remote locations. It also ensures any expenditure increase is roughly in line with the existing regime as detailed above.

Further increases can be achieved by other means. For example, the remaining cost of capital can be met by enabling an increase in retention income to 3% for providers with concessional ratios of 40% or more. This would enable a RAD of $750k to generate a further **$20 per bed per day** for RAD beds, delivering **$33 per bed per day** for concessional beds assuming 40% concessional residents. This brings the associated funding of capital to **$103.94 per bed per day** for concessional beds.

CASE STUDY
Loss of viable aged care places due to unsustainable redevelopment economics

Juniper operates four residential aged care facilities in Western Australia built before 1970, with the oldest constructed in 1945. These sites are rapidly approaching end-of-life and present major challenges for redevelopment under current funding structures.

Site A (Metro, 42 places) – Built in 1960. Facility is no longer suitable and will be decommissioned within five years. No replacement is planned.

Site B (Metro, 46 places) – Built in 1970. Scheduled for decommissioning within five years.

Site C (Regional, 26 places) – Built in 1945. Partial refurbishment planned, but full replacement expected within 10 years.

Site D (Metro, 57 places) – Built in 1966. Will be decommissioned within 10 years; possible replacement as a larger, modern facility.

These facilities have high concessional resident populations (over 50%), which makes business cases for replacement financially unviable under current pricing and revenue models. Without additional capital or pricing reform, Juniper cannot justify new builds.

Impact

Unless changes are made to accommodation pricing structures, Juniper will be forced to close 171 residential aged care places over the next decade – a net loss of essential aged care capacity in WA during a period of escalating demand.

Juniper

CASE STUDY
Refurbishment at risk

Over the past three years, Juniper has initiated a refurbishment program targeting mid-life residential aged care facilities. Eight facilities over 20 years old were identified for upgrade, all with concessional resident ratios exceeding 50%.

- Three refurbishments completed to date
- Five more planned within the next two years

Refurbishment has extended the useful life of these assets and retained critical operational bed capacity. The modest increase in accommodation supplement following refurbishment makes these projects marginally viable under current conditions.

However, limited funding and static pricing make future refurbishments financially unsustainable. Business cases for the remaining sites are increasingly difficult to justify, particularly with no material uplift in revenue.

Without reform to accommodation supplement arrangements, further refurbishments will become financially unviable. This will accelerate facility decommissioning, contributing to a loss of aged care places at a time when demand is rising sharply.

Alternate means of funding development

The remaining gap of **$61.06 per bed per day** would then need to be funded by alternate means.

Option #1

The first option available to the Commonwealth would be to subsidise the construction cost per bed for concessional beds.

Assuming a provider builds 100 beds and the concessional threshold requirement of 40% of beds are occupied by concessional residents. A reduction in construction costs by $100,000 would require an investment of $4,000,000 by the Commonwealth.

As grant capital comes without return obligations for a provider, the effect of a $100,000 subsidy has the effect of lowering the cost of capital by **$30 per bed per day**, reducing the gap to **$31.06 per bed per day** to the cost of capital.

Option #2

The second option available to the Commonwealth is to fund the construction of concessional beds at a low or zero effective interest rate. This reduces the WACC required to the risk-free rate, i.e the 10-year bond rate – currently 4.28% – effectively making the cost of capital **$115.88 per bed per day** assuming a 40% concessional resident ratio. This provides an effective mechanism for making business cases stack up while requiring a minimum presence of concessional residents.

In addition to this approach, the Commonwealth then has options to incorporate further incentives like interest-free periods during construction and as beds come online. This approach, when combined with the options outlined in the previous section, reduces the gap to the cost of capital to **$11.94 per bed per day** for concessional beds. This gap can then be narrowed on an ongoing basis through the existing indexation mechanisms.

Implementation

The complex nature of aged care delivery requires a planned implementation to ensure success.

Despite significant reforms established under the new Aged Care Act, the Government must remain dynamic and take further urgent action to ensure sustainable, equitable high-quality care for older Australians.

Given the large scale of work that must be undertaken to address accommodation supply, a phased approach can be investigated, beginning with low-cost changes (bundling) before moving to budget-dependent measures (subsidies and grants) and leveraged indexation for gap-closure.

Step 1: Consolidate and raise existing subsidies (Immediate)

- **Bundle current payments:** Merge the Accommodation Supplement and Significant Refurbishment Grant into **one supplement** for all new or existing facilities that meet a 40% concessional-resident ratio.
- **Immediate uplift:** This raises the effective supplement from $46.26 to **$70.94 per bed per day** (≈43% of cost-of-capital).
- **Encourage construction:** By providing a higher guaranteed subsidy (using existing funding), providers can start building in high-demand areas (metro, fringe, regional) with confidence.
- **Leverage existing framework:** This step uses existing budget items and rules (e.g. indexation) with minimal new outlays, making it **politically easy** and quick to implement.

Step 2: Enhance provider revenue and incentives (by 30 June 2026)

- **Increase retention payments:** Raise the retention income cap from 2% to 3% for eligible providers (≥40% concessional beds).
- **Boost per-bed funding:** This change would add about $20/day for Life Care ("RAD") beds and $33/day for concessional beds, bringing total per-bed funding to ~$103.94.
- **Sustain investment:** Higher returns on resident contributions make new projects more attractive to investors, while still requiring only 40% concessional occupancy (ensuring equity).
- **Build on Step 1:** Providers now receive the bundled supplement (Step 1) and extra retention payments, progressively closing the gap to ~63% of capital cost coverage. This phased approach maintains political goodwill by showing further gains beyond the first step.

Step 3: Targeted capital support (by 30 September 2026)

- **Subsidise construction costs:** The Commonwealth can offer **up-front grants** or subsidies for new concessional-care beds. For example, a **$100,000 subsidy per bed** (for 40% concessional mix) lowers providers' cost-of-capital by **$30/day**, cutting the remaining gap to ~$31/day.
- **Low-interest financing:** Alternatively, or additionally, fund concessional-bed construction at low/zero interest. By reducing the WACC to the risk-free rate (~4.3%), per-bed funding effectively rises to **$115.88/day**. Combining this with Step 1–2 brings the residual gap under $12/day.
- **Incentive periods:** Include construction-phase interest holidays or deferred-payment schemes to further ease providers' cash-flow. These targeted incentives make business cases viable without enlarging the concessional requirement.

- **Consolidate gains:** After Step 3, the supplement system would cover nearly the full $165/day cost (with only ~$11.94 left, bridged by routine indexation). This final phase requires new investment but can be phased into budgets once earlier steps demonstrate success.

Each step increases the supplement level, progressively closing the funding gap. The plan is fiscally sustainable (by sharing costs across indexation, charges, and grants) and politically feasible (starting with no-extra-cost measures, then modest increments, then targeted funding).

Phasing the Higher Accommodation Supplement over time would introduce additional administrative complexity and does not necessarily reflect the fact that service quality can remain high, even in older buildings. That said, it is important to maintain appropriate incentives for providers to reinvest in refurbishments, particularly for facilities with a high proportion of concessional residents.

We are concerned that reducing the supplement over time is a short-term approach that risks shifting the financial burden to future generations. Without adequate support, providers will ultimately need to fund refurbishments or rebuilds themselves, leaving the sector facing the same challenges again in 10 to 15 years.

CASE STUDY

Replacement of regional facilities blocked by capital cost

In a regional location Juniper currently has two older facilities (32 beds and 45 beds respectively) that are no longer fit-for-purpose and will require replacement. Based on current planning ratios and census data, the community is already undersupplied by **191 beds**, with this shortfall projected to grow to **352 beds by FY32**.

To meet both replacement and growing demand, Juniper plans to build a **new 120-bed facility** at a cost of **$72m** ($600,000 per bed). However, as 77 of these beds are simply replacing existing places, **no additional revenue is generated from the majority of the project**, placing the entire capital burden on the 43 new beds.

This means the cost of construction is applied to the 43 new beds with a resulting increase in the capital cost per bed from **$165 per bed per day** to **$458 per bed per day**.

This essentially makes replacement of facilities uninvestable unless there are incentives provided that effectively lower the cost of capital and ensure ongoing viability for the intake of concessional residents.

Summary of issues and proposed solutions

Issue	Rationale	Proposed solution
Current funding gap: The supplement (~$46.26) is far below the 10% WACC cost-of-capital (~$165). This makes new-build projects non-viable	Bridging the gap ensures business cases "stack up" and providers generate enough cashflow for depreciation and maintenance. A higher supplement aligned to capital cost attracts investment and supports aged-care expansion.	**Raise supplement in phases:** Start by bundling/refurb grants (Step 1) and later adding retention/incentives (Step 2) to approach full cost
Fragmented support scheme: Multiple payments (base supplement and separate refurbishment grant) complicate planning, and refurbishment grants only help older buildings.	Simplifies the system and ensures **consistent funding** for all qualifying developments. Providers get one clear subsidy ($70.94/day initially), making it easier to plan and build facilities in needed areas.	**Consolidated supplement:** Combine all into a single supplement for any new/refurbished facility with ≥40% concessional residents
High financing costs: A 10% WACC means enormous daily capital charges (~$165). Providers struggle to finance new construction	Lower **financial risk for providers**, making new projects viable without compromising service quality.	**Provide capital support:** Commonwealth grants or low-interest loans for concessional-bed construction. Subsidies ($100k per bed) and cheap financing effectively lower the WACC, reducing capital charges by ~$30/day or more.
Insufficient concessions incentive: Current concessional resident ratio (~25%) is low, limiting supplemental funding availability.	Encourage facilities to admit more pensioners (improving equity) in exchange for higher funding. This aligns resident mix with policy goals and unlocks the full supplement and retention boosts, moving funding toward cost levels.	**Tie incentives to 40% concessional:** Require 40% concessional to qualify, and boost retention income to 3%.

Declaration

Juniper Aged Care declares there have been no personal or organisational conflicts of interest in the preparation or submission of this document to the Residential Aged Care Accommodation Review. All information provided has been prepared independently and in good faith, without any influence or benefit (financial or otherwise) to any individual or entity involved in the submission process. Please note, Juniper is a recipient of funding for Residential Aged Care, including Accommodation Supplement funding, from the Commonwealth Government.