

Residential Aged Care Supplementary Pricing Advice 2024–25

Technical Specifications

Version 1.0
February 2025



IHACPA

Residential Aged Care Supplementary Pricing Advice 2024–25 Technical Specifications – February 2025

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Acronyms and abbreviations

Acronym/abbreviation	Description
AN-ACC	Australian National Aged Care Classification
AWR	Annual Wage Review
EN	Enrolled nurse
IHACPA	Independent Health and Aged Care Pricing Authority
NHR Act	<i>National Health Reform Act 2011 (Cth)</i>
NWAU	National weighted activity unit
Pricing Authority	The governing body of IHACPA established under the <i>National Health Reform Act 2011 (Cth)</i>
RACPA24	Residential Aged Care Pricing Advice 2024–25
RACSPA24	Residential Aged Care Supplementary Pricing Advice 2024–25
RN	Registered nurse

1 Overview

1.1 Purpose

This document has been produced as an accompaniment to the Residential Aged Care Supplementary Pricing Advice 2024–25 (RACSPA24) and the [Residential Aged Care Pricing Advice 2024–25](#) (RACPA24).

It provides the technical specifications for how the Independent Health and Aged Care Pricing Authority (IHACPA) developed the pricing advice provided to the Australian Government following the [Work value case – Nurses and midwives determination](#) on the *Nurses Award 2020*, issued by the Fair Work Commission on 20 December 2024. This document should be read in conjunction with the [Residential Aged Care Pricing Advice 2024–25 Technical Specifications](#).

1.2 Background

IHACPA was established under the [National Health Reform Act 2011](#) (Cth) (the NHR Act) and by virtue of Section 131A(1) of the NHR Act is invested with the following functions relevant to RACSPA24:

- a) to provide advice to each relevant Commonwealth Minister in relation to one or more aged care pricing or costing matters, including in relation to methods for calculating amounts of subsidies to be paid under the [Aged Care Act 1997](#) (Cth) or the [Aged Care \(Transitional Provisions\) Act 1997](#) (Cth)
- b) such functions relating to aged care (if any) as are specified in regulations made for the purposes of this paragraph
- c) to conduct, or arrange for the conduct of, one or more of the following activities for the purpose of performing a function mentioned in paragraph (a) or (b):
 - i) the collection and review of data
 - ii) costing and other studies
 - iii) consultations
- d) to do anything incidental to or conducive to the performance of the above functions.

RACSPA24 is an output to the performance of those functions by the Pricing Authority.

2 Updated methods for RACSPA24

The Residential Aged Care Supplementary Pricing Advice 2024–25 (RACSPA24) supplements the Residential Aged Care Pricing Advice 2024–25 (RACPA24).

RACSPA24 updates the indexation of labour costs in the recommended Australian National Aged Care Classification (AN-ACC) price to incorporate the Fair Work Commission’s Work value case – Nurses and midwives determination on the *Nurses Award 2020*, issued on 20 December 2024.

Aspects of the methodology not covered in this document, including the calculation of the recommended price weights for each AN-ACC class and BCT category, the calculation of the reference cost, and the indexation of non-labour costs, have not changed compared to RACPA24.

2.1 Labour cost indexation

For RACPA24, following the calculation of the reference cost in 2021–22 dollars, IHACPA made adjustments to account for known cost increases, then indexed the reference cost to determine the recommended AN-ACC price per National Weighted Activity Unit (NWAU) for 2024–25.

For RACSPA24, IHACPA have made a further adjustment to the labour component of the reference cost to account for the Fair Work Commission’s decision to increase minimum award wages and adjust the classification structure for Registered Nurses (RNs) and Enrolled Nurses (ENs) in the aged care sector as part of the Work value case – Nurses and midwives.

To account for the compounding impact of cost increases, IHACPA applied labour cost adjustments for 4 distinct time periods:

- a) Step 1: indexation and adjustments effective 1 October 2024
 - i) Adjust for Work value case – Aged care industry stage 2 decision
 - ii) Adjust for superannuation guarantee increases from 2021–22 to 2024–25
 - iii) Indexation from 2021–22 to 2024–25
- b) Step 2: adjustments effective 1 January 2025
 - i) Adjust for Work value case – Aged care industry stage 3 decision tranche 1
- c) Step 3: adjustments effective 1 March 2025
 - i) Adjust for Work value case – Nurses and midwives decision tranche 1
- d) Step 4: indexation and adjustments effective 1 July 2025
 - i) Adjust for superannuation guarantee increase from 2024–25 to 2025–26
 - ii) Indexation from 2024–25 to 2025–26.

Refer to Section 4.3.1 and Section 4.3.2 of the RACPA24 Technical Specifications for the steps applied to adjust for known cost increases and index labour costs to 1 October 2024 and 1 January 2025 (steps 1 and 2 above).

2.1.1 Adjustments effective 1 March 2025

Fair Work Commission Work value case – Nurses and midwives determination

On [6 December 2024](#), the Fair Work Commission handed down their decision on the Work value case – Nurses and midwives, which included a new classification and pay structure for RNs and ENs in the aged care sector. Per this decision, pay increases are to be phased-in equally in three tranches, effective:

- 1 March 2025 (subsequently referred to as tranche 1)
- 1 October 2025 (subsequently referred to as tranche 2)
- 1 August 2026 (subsequently referred to as tranche 3).

On [20 December 2024](#), the Fair Work Commission handed down their determination to give effect to the decision from 1 March 2025. As RASCPA24 covers the period from 1 October 2024 to 30 September 2025, only tranche 1 is relevant for this advice.

To determine the appropriate adjustment to RN, EN and care management labour costs, IHACPA calculated the weighted average increase relative to wages as at 1 July 2024 based on the number of full time equivalent (FTE) employees at each classification level.

IHACPA extracted the number of residential aged care direct care FTE in 2024–25 at each RN and EN classification level from the Department of Health and Aged Care's Aged Care Wage Estimation Tool. Consistent with the stage 2 adjustment applied in RACPA24, IHACPA also adjusted care management labour costs for RNs working in care management roles, using the residential aged care indirect care FTE from the Aged Care Wage Estimation Tool.

These FTE were multiplied by the annualised pay rates from the [Fair Work Ombudsman](#) to estimate the proportion of total nursing labour costs attributable to each level of the award, and then by the tranche 1 percentage increases to get the weighted average increase for RNs, ENs and care management staff.

IHACPA retained the existing rates of pay for RNs impacted by clause F.3 Retained minimum rates of pay in the determination.

As in RACPA24, IHACPA inflated 76.57% of nursing and care management costs, reflecting the proportion of aged care nurses on active Enterprise Bargaining Agreements paid significantly above award rates.

The adjustments applied to each labour cost category and the impact on the labour component of the cost per NWAU are summarised in Table 1 below.

Table 1: Fair Work Commission Work value case – Nurses and midwives decision (tranche 1)

Labour cost component	Cost after stage 3 adjustment (2024–25 dollars)	1 March 2025 adjustment	Cost after Nurses and midwives adjustment (2024–25 dollars)
Registered nurses	\$61.56	2.78%	\$63.26
Enrolled nurses	\$18.26	3.34%	\$18.87
Care management staff	\$9.24	2.55%	\$9.48
Personal care workers, assistants in nursing, allied health staff, recreational activity officers, administration and other staff	\$162.83	-	\$162.83
Total*	\$251.89	1.01%	\$254.44

*Components may not add due to rounding.

2.1.2 Indexation and adjustments to 1 July 2025

Superannuation guarantee increase 2024–25 to 2025–26

From 1 July 2025, the superannuation guarantee will increase by a further 0.5% (50 basis points) from 11.5% to 12.0%. IHACPA have applied the same methodology to adjust labour costs as described in Section 4.3.3 of the RACPA24 Technical Specifications. The effect of this adjustment on labour costs after the adjustment for the Work value case – Nurses and midwives is shown in Table 2 below.

Table 2: Superannuation guarantee increase 2024–25 to 2025–26

Labour cost component	Cost after stage 3 adjustment (2024–25 dollars)	Superannuation guarantee adjustment	Cost after superannuation guarantee adjustment (2024–25 dollars)
Non-superannuation labour cost	\$228.20	-	\$228.20
Superannuation component	\$26.24	+4.35%	\$27.38
<i>Superannuation proportion</i>	11.5%	+0.50%	12.0%
Total*	\$254.44	0.45%	\$255.59

*Components may not add due to rounding.

Indexation 2024–25 to 2025–26

Following the 1 July 2025 Annual Wage Review (AWR), some RNs impacted by clause F.3 Retained minimum rates of pay in the Work value case – Nurses and midwives determination will transition to the new classification and pay structure, due to award wages surpassing their retained rates of pay. These nurses will therefore receive wage increases less than the quantum of the AWR due to their transition to the new pay structure.

IHACPA calculated the weighted average increase from 1 July 2025 for RNs, ENs and care management staff using the projected increase, as outlined in Section 4.3.3 of the RACPA24 Technical Specifications, after accounting for the transition of these nurses to a new classification.

The effect of this on labour costs is shown in Table 3 below.

Table 3: Indexation 2024–25 to 2025–26

Labour cost component	Cost after superannuation guarantee adjustment (2024–25 dollars)	Indexation rate	Cost after indexation (2025–26 dollars)
Registered nurses	\$63.55	3.37%	\$65.69
Enrolled nurses	\$18.95	3.76%	\$19.67
Care management staff	\$9.52	2.22%	\$9.73
Personal care workers, assistants in nursing, allied health staff, recreational activity officers, administration and other staff	\$163.56	3.76%	\$169.72
Total*	\$255.59	3.61%	\$264.81

*Components may not add due to rounding.

2.1.3 Summary of labour cost indexation and adjustments

Adjustments and indexation of the labour component of the reference cost are summarised in Table 4 below.

Table 4: Summary of indexation and adjustments applied to the labour cost component of the AN-ACC price

Step	Labour cost	Change
Reference cost (2021–22 dollars)	\$191.97	-
Work value case – Aged care industry stage 2 (effective 30 June 2023)	\$216.70	12.88%
Superannuation guarantee increase from 2021–22 to 2024–25	\$219.65	1.36%
Indexation from 2021–22 to 2024–25	\$246.73	12.33%
Work value case – Aged care industry stage 3 tranche 1 (effective 1 January 2025)	\$251.89	2.09%
Work value case – Nurses and midwives tranche 1 (effective 1 March 2025)	\$254.44	1.01%
Superannuation guarantee increase from 2024–25 to 2025–26	\$255.59	0.45%
Indexation from 2024–25 to 2025–26	\$264.81	3.61%

IHACPA then calculated the weighted average of the labour cost over the periods from 1 October 2024 to 31 December 2024, 1 January 2025 to 28 February 2025, 1 March 2025 to 30 June 2025, and 1 July 2025 to 30 September 2025 by the number of days in each period. This represents the average labour component of the AN-ACC price from 1 October 2024 to 30 September 2025, and is summarised in Table 5 below.

Table 5: Weighted average labour cost

Period	Labour cost	Days
1 October 2024 to 31 December 2024	\$246.73	92
1 January 2025 to 28 February 2025	\$251.89	59
1 March 2025 to 30 June 2025	\$254.44	122
1 July 2025 to 30 September 2025	\$264.81	92
1 October 2024 to 30 September 2025 (weighted average)*	\$254.70	365

*Weighted average may not match due to rounding.

2.2 Summary of indexation

As per the methodology used in RACPA24, IHACPA separately adjusted and indexed the labour and non-labour components of the reference cost, then applied a loading to cover the difference in funding had the AN-ACC price been updated from 1 July 2024. This is summarised in Table 6.

Table 6: Summary of labour and non-labour costs

Residential aged care price	Labour	Non-labour	Total	Change
Reference cost (2021–22 dollars)	\$191.97	\$22.24	\$214.21	-
Indexed to 1 October 2024 to 30 September 2025	\$254.70	\$25.56	\$280.26	30.83%
Loading for the period from 1 July 2024 to 30 September 2024	-	-	+\$1.18	-
Average AN-ACC price from 1 October 2024 to 30 September 2025	-	-	\$281.44	-

*Totals may not match due to rounding.

In RACPA24, IHACPA recommended a single AN-ACC price for the period from 1 October 2024 to 30 September 2025. This price included adjustments for the forecast value of the 1 July 2025 AWR and 1 July 2025 superannuation guarantee increase, which were spread over the 12 months.

In recognition of this, the recommended AN-ACC price from 1 March 2025 to 30 September 2025 equals \$280.01 plus an additional loading of \$2.43 to account for the difference in funding over the 12 months had the original AN-ACC price been adjusted for the FWC nurses decision. This is calculated as follows:

$$(\$281.44 - \$280.01) \times \frac{365}{214} = \$2.43$$

Thus, the recommended AN-ACC price for RACSPA24 is **\$280.01** per NWAU from 1 October 2024 to 28 February 2025, increasing to **\$282.44** per NWAU from 1 March 2025 to 30 September 2025.



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