Bolton Clarke

HEART OF POSITIVE AGEING

# 2024/25 residential care bed supply analysis

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October 2025

# Analysis of 2024/25 and historical data

Residential aged care supply is not keeping pace with demand, with 2024/25 delivering only 800 extra beds compared to 5,000 new residents

## Background

- On 8 October 2025 the Department of Health, Disability and Ageing (DHDA) published the 2025 Aged Care Service List. This dataset contains information on the location of Australian aged care services, including the number of residential care places.
- Bolton Clarke has analysed this dataset, previous releases and related datasets to understand changes in supply and demand for residential aged care places. There are sometimes small changes between totals derived from the Aged Care Service List data and the official final numbers published in December in the Report on the Operation of the Aged Care Act. Resident counts are from the Aged Care Quality and Safety Commission Sector Performance report and are also preliminary. However, this is unlikely to change the substantive results of the analysis

## Changes in bed supply and demand

- The number of operational residential care places increased by around 800 beds in 2024/25 compared to 2,200 in 2023/24 and 1,500 in 2022/23.
- The increase in aged care beds is trending downwards. From 2015/16 to 2019/20 operational places increased by about 5,000 beds a year, with growth peaking at around 6,500 beds in 2018/19. This fell to an average of about 1,500 beds per year from 2020/21 to 2024/25.
- Bed growth is being outpaced by increases in demand with the number of aged care residents increasing by about 5,000 people per year in 2024/25, 2023/24 and 2022/23. This follows a small decline in the number of aged care residents during the COVID-19 pandemic from 2019/20 to 2021/22 and average growth over about 2,700 residents from 2014/15 to 2018/19.
- Notionally there are still around 21,100 vacant beds. However, in our view, and consistent with occupancy estimates from StewartBrown, a significant proportion of these beds are unavailable because shared rooms have been combined to form single rooms or because renovations are under way. Beds are necessarily vacant for a period between residents. Vacant beds also may not be in the same areas as unmet demand.

## Policy commentary

- Government funding for aged care has increased significantly since the Royal Commission, raising federal government spending from 0.9 to 1.5 per cent of GDP. However, spending has been focused on increasing the workforce and funding additional home care.
- Residential care homes have also generated a higher surpluses, but this has been driven by transitional factors, and surpluses are beginning to decline again as (1) staffing costs increase to meet care minute requirements, and (2) IHACPA advice moves closer to its target of a cost-based (i.e. zero margin) price for care and hotel services. The reduction of these margins has already begun in 2025/26 and will probably continue in 2026/27 and 2027/28.
- Changes in residential care funding under the new Aged Care Act reform package support increased revenue from accommodation, but the benefits of this are weighted towards aged care homes in wealthier locations. The beneficial changes are also offset by regulatory changes that will decrease revenue from supplementary services and increased co-contributions that may constrain willingness to pay for other fees.
- Ultimately funding models will need to support a sufficient surplus to support new builds.
    - Creating a business case for new builds in a wide range of locations will require changes to accommodation funding, particularly the supplement for supported residents. This will be subject to a review that must by completed by June 2026, but the outcomes of that review may not flow through to funding until mid to late 2027.
    - Policy also needs to factor in a reasonable margin for care and hotel services, or the business case for building residential care over retirement living will continue to fall short.
- There is potential for a substantial part of funding needs to be achieved or offset through productivity related changes, but this will also require collaboration from Government.

# Analysis of future projections

While bed shortages are understated, bed resident growth projections seem too high. To the extent that Commonwealth Budget forecasts reflect an overstatement of demand there may be substantial funding that could be redirected to support the construction of new beds.

## Bed growth

- No official bed growth projections have been published. Discussion at Senate Estimates on 9 October 2025 indicates that some data available to the Department suggests there will be 1,700 new beds in 2025/26 and 4,000 new beds in 2026/27. However, this likely refers to new developments not net bed growth.
- The 2024/25 figures already include 1,700 beds from new care homes, but these are offset by over 1,000 less beds from homes that have closed. There are also increases and decreases in bed numbers at existing homes. An additional 4,000 new beds in 2026/27 would probably represent an expansion in the pipeline, but project completions are always substantially below approved/planned developments, so this is likely to be a ceiling on the number of new beds that may be built.
- Even in an absolute best-case scenario where no beds close and there is a net expansion of 4,000 additional beds, supply growth will still fall short of demand growth.

## Resident growth

- Departmental projections published in the 2023/24 Financial Report on the Australian Aged Care Sector (FRAACS) suggested that there would be almost 9,000 residents in 2024/25 rising over the next decade to an additional 11,000 additional residents per year in 2034/35. Projections from previous versions of FRAACS are only available in chart form (i.e. the underlying data is not published) but visual analysis suggests similarly high estimates of resident growth (e.g. at least 7,000 additional residents in 2023/24).
- Actual growth has consistently been around 5,000 residents per year for the last three years, though this slightly understates actual demand growth as shortages mean that some people who need residential care cannot find a place. A possible reason for the overestimation of resident growth in departmental projections is failure to factor in reduced residential care usage rates.
- On the basis of current information, 5,500-7,000 additional residents per year seems like a more reasonable estimate of demand growth over the Commonwealth Budget Forward Estimates than the official figures of around 9,000.

## Net effect on bed shortages

- While official figures are likely to overstate resident growth, they also probably overstate the number of spare beds. Overall, the official view probably overstates the long-term number of residential care beds that will be required, while understating the short-term and medium-term shortages. Caution is required as projections/forecasts over a 10+ year time horizon usually have high levels of error.

## Fiscal implications

- Estimates of residential care demand over the forward estimates period appear to be substantially overstated.
- FRAACS projections are separate from Budget forecasts. However, the FRAACS projected resident growth aligns closely with the reduced Target Provision Ratio introduced in the 2024–25 Budget Mid-Year Economic and Fiscal Outlook, which delivered savings of $3.4 billion over six years.
- Greater transparency is needed around the methodology used for Budget estimates of aged care costs. Overestimating resident numbers can result in substantial funding that could instead be redirected to support the construction of new beds—without negatively impacting the budget bottom line.
- To give a rough indication of the potential impact:
  - Every 1,000 full-time residents is likely to cost the government at least $100 million per annum, assuming average annual subsidies of approximately $100,000 per resident.
  - By June 2029 (the end of the current forward estimates period), there is a gap of more than 15,000 residents between the FRAACS projections/Target Provision Ratio and a lower growth trajectory based on the most recent three years of data.

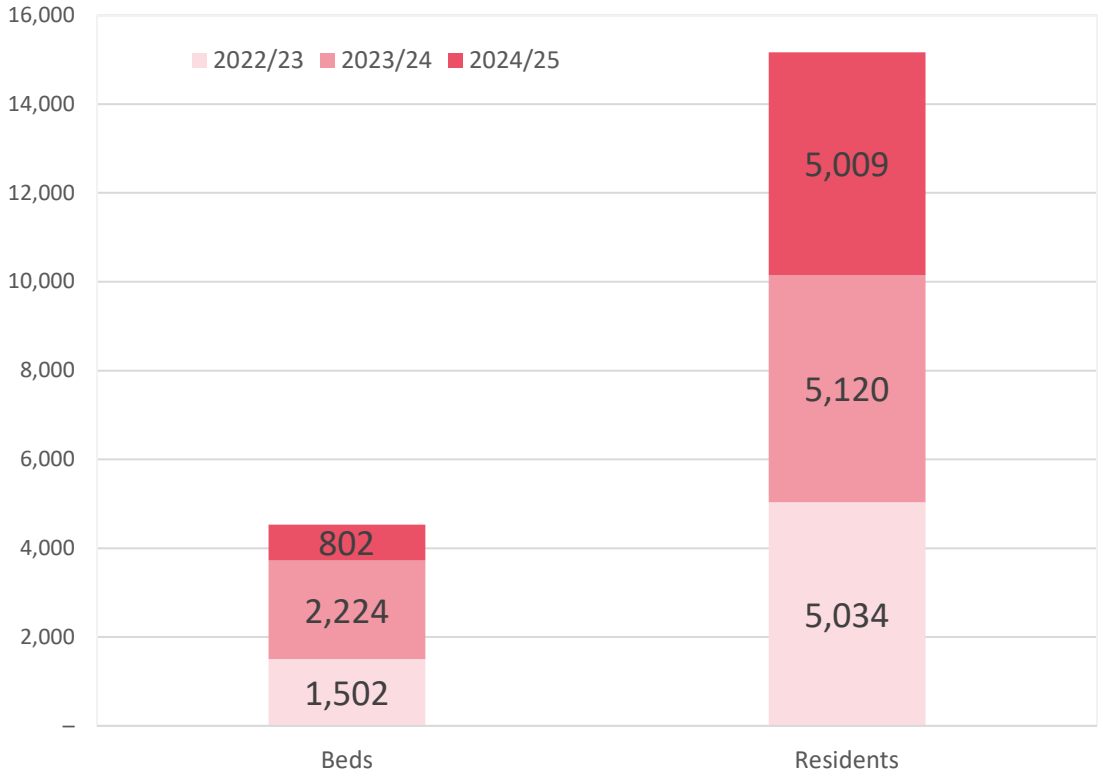
# Supporting charts

# Resident growth is outpacing bed growth

There was strong growth in the bed supply prior to the pandemic, but it has dropped away due weaker finances and high construction costs whereas resident growth has accelerated.

## Changes in aged care beds vs residents since the pandemic

Source: 2025 data based on Aged Care Services List and Aged Care Quality and Safety Commission Sector Performance Report. Historical data from Aged Care Data Snapshot & ROACA




## Change in aged care beds vs residents over the last decade

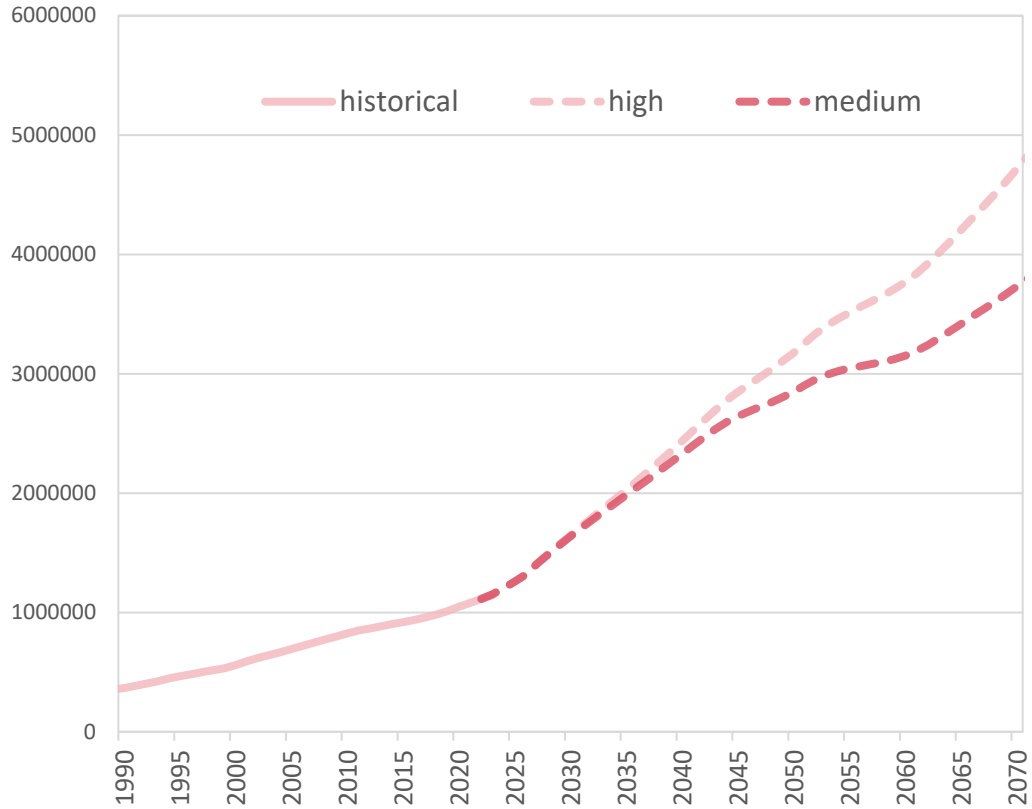
Source: 2025 data based on Aged Care Services List and Aged Care Quality and Safety Commission Sector Performance Report. Historical data from Aged Care Data Snapshot & ROACA

# Demand for residential care is likely to continue to accelerate

(1) Baby boomers start hitting their 80s over the next decade (2) About 75 per cent of people in residential aged care are over 80

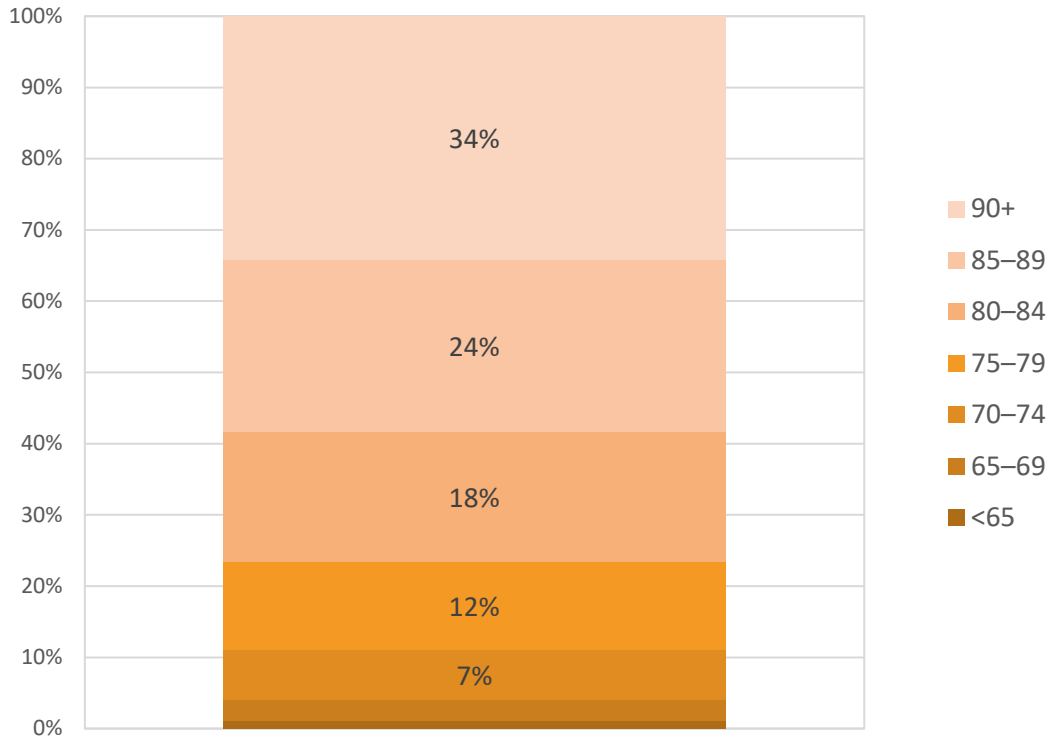
## Australia's 80+ population

Historical + forecast | Source: Based on ABS population estimates and forecasts




## RAC users by age

2023/24 | Source: Based on Aged Care Data Snapshot

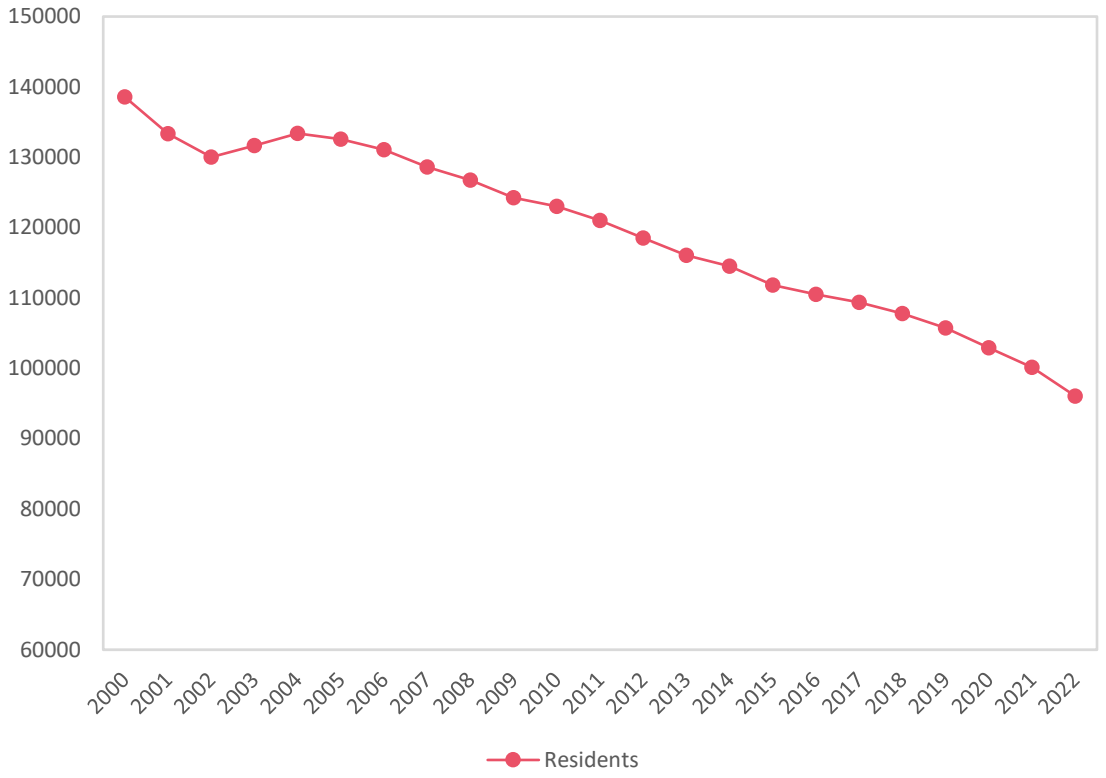


# Previously declining usage has offset demographic growth but this may taper off

(1) Without more older people residential care usage would have fallen because of declining usage rates (2) But declines in the share of assessments recommending RAC have stabilised in recent years, which may mean that RAC usage rates stabilise as well.

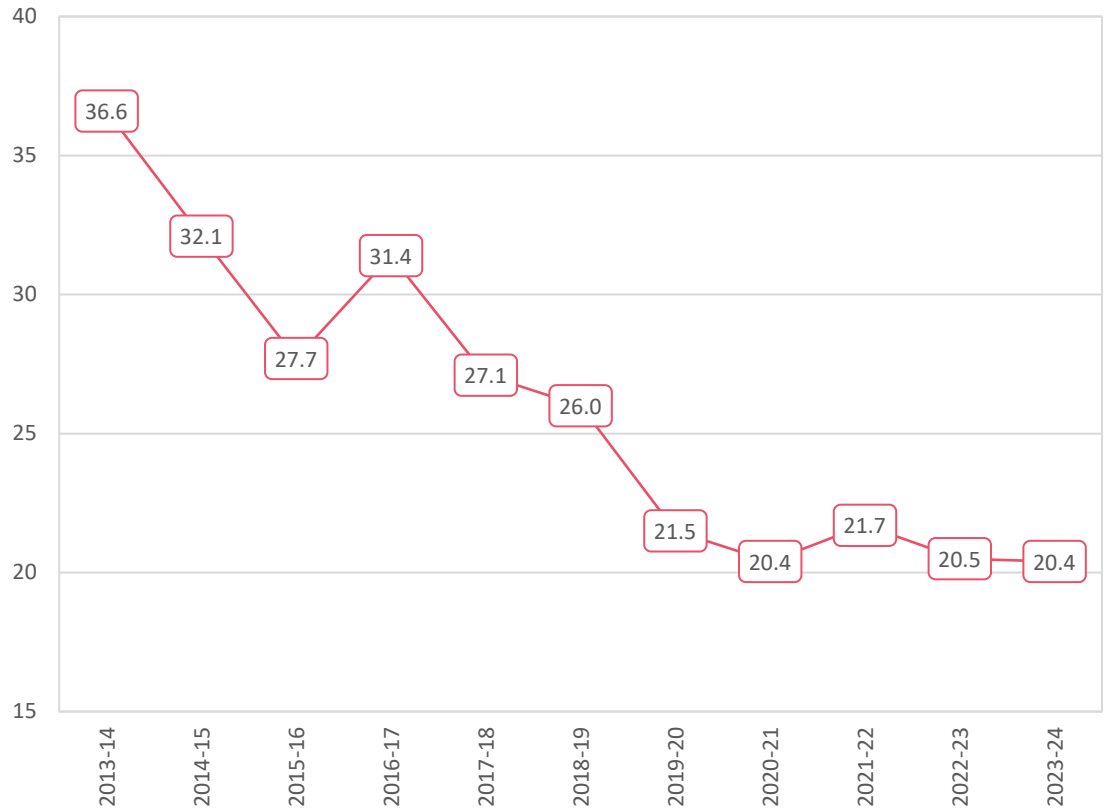
## Perm Residents if no population growth

2001 base population | Source: Based on AIH custom data request on residential care recipients by age and ABS population estimates




## Assessments recommending RAC (%)

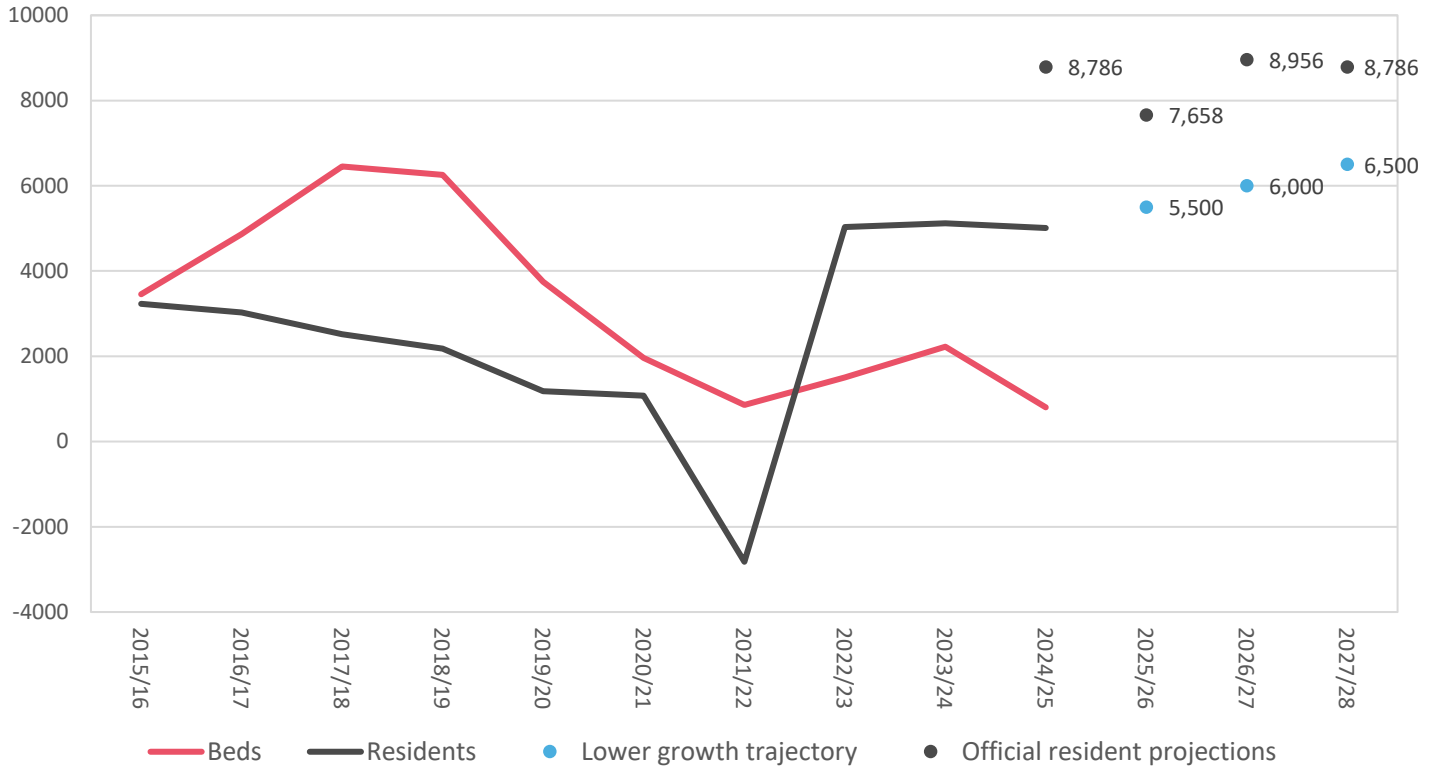
**Source: Based on PC RoGs**



# Official resident projections are well above historical supply and demand

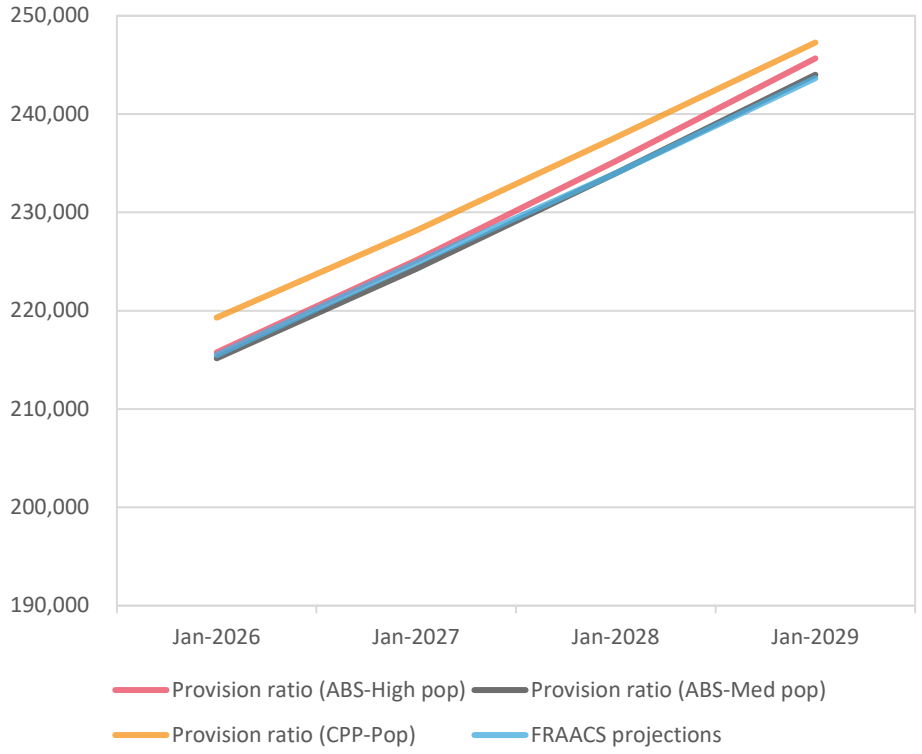
## Official vs lower projections of resident growth compared to historical data

Source: 2025 data based on Aged Care Services List and Aged Care Quality and Safety Commission Sector Performance Report. Historical data from Aged Care Snapshot and ROGS.




## FRAACS projections vs target 70+ provision ratio

Source: 2023/24 FRAACS, provision ratio applied to 2024 ABS and Centre for Population Projections (CPP) population projections.



# Bed changes vary significantly by region

Victoria gained the most beds, accounting for the most new homes in 2024/25. WA faced the biggest overall bed reduction, while NSW and Queensland had several homes open and close

## Change in beds by state

| State | Change |
|---|---|
| NSW | -79 |
| VIC | 970 |
| QLD | 26 |
| WA | -119 |
| SA | 58 |
| TAS | -54 |
| ACT | 0 |
| NT | 0 |

## Regions that gained the most

| State | SA 3 | Change |
|---|---|---|
| VIC | Macedon Ranges | 216 |
| VIC | Boroondara | 152 |
| QLD | Forest Lake - Oxley | 150 |
| WA | Mandurah | 122 |
| VIC | Baw Baw | 119 |
| VIC | Maroondah | 114 |
| VIC | Kingston | 100 |
| NSW | Camden | 96 |
| SA | Unley | 82 |
| VIC | Bayside | 79 |

## Regions that lost the most

| State | SA 3 | Change |
|---|---|---|
| QLD | Brisbane Inner - East | -152 |
| NSW | Strathfield - Burwood - Ashfield | -138 |
| NSW | Newcastle | -98 |
| QLD | Sherwood - Indooroopilly | -75 |
| NSW | Lachlan Valley | -70 |
| QLD | Southport | -58 |
| VIC | Mornington Peninsula | -57 |
| VIC | Casey - North | -54 |
| WA | Cottesloe - Claremont | -53 |
| NSW | Lower Hunter | -44 |