

Aged care supply and demand update – 2026

Tim Hicks, Executive General Manager, Policy and External Relations Bolton Clarke, 28/10/2026

Key points

- Resident growth (3,858) continues to outpace bed growth (1,672), but both are well below expectations based on demographic drivers.
- Bed growth has been constrained by weak financials, with future bed growth potentially being further undermined by the loss of confidence created by two consecutive years where funding growth has been well below cost increases, driven in part by IHACPA methodology problems.
- Resident growth may be being suppressed by bed shortages, and growing delayed discharge rates show significant health system impacts. Record home care package increases may also have eased demand.
- Government has various options to address bed shortages, including supporting increased productivity, fixing problems in the costing methodology and increasing contributions from those with the ability to pay.

Bed growth

Residential aged care beds grew by 1,672 (+0.7%) to 226,165 in 2025/26. Last year there were 802 (+0.4%) net new beds, and the five-year average is now 1,412 (+0.6%), or 7,060 (+3.2%) net new beds over five years.

Growth for 2025/26 is in line with Departmental estimates reported to Senate Estimates on 9 October 2025. The Department also stated that it expected 4,000 additional beds in 2026-27 so there may be some prospect of stronger bed growth this year. Beyond that the outlook for bed growth is probably weaker now than it was in 2025 when there was some hope that post COVID improvements in financial performance would be sustained.

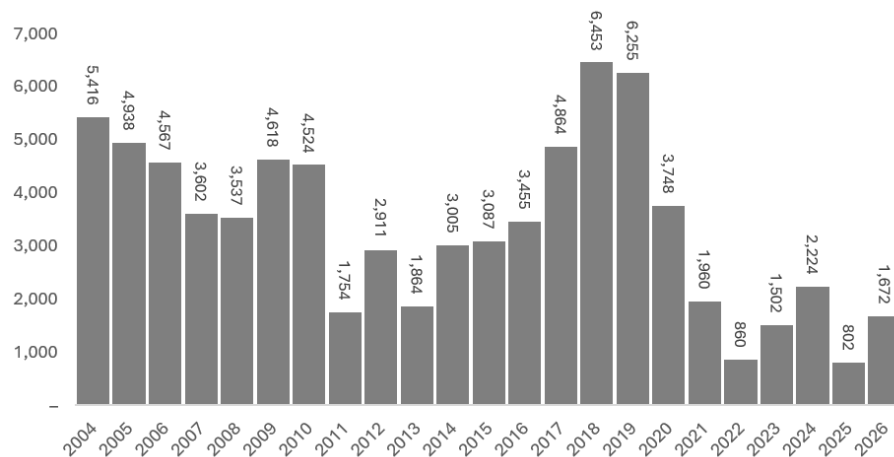
Overall, bed growth is being constrained by weak financials. The cost to build continues to increase, care margins continue to narrow as AN-ACC indexation moves towards a zero margin on care, and potentially past that point into a negative care margin for the average home. Significant increases in accommodation prices and the introduction of retentions have offset some of the negative impact. Providers operating in the top quartile of financial performance can still produce business cases that pass investment hurdles, but this continues to rely heavily on high accommodation contributions from non-supported residents in regions with high median house prices. Many providers with strong financial performance that have been investing in new builds in recent years have relied heavily on Additional and Extra Services revenue, which is likely to fall substantially as part of the transition to Higher Everyday Living Fee (HELFF) arrangements. Two consecutive years of care indexation below cost growth, driven partly by IHACPA methodology decisions that inexplicably exclude or misallocate important costs, has also undermined confidence that margins can be maintained.

At a state and territory level, the weakest jurisdictions for relative five-year bed growth are Tasmania (-0.4%), New South Wales (1.7%), Queensland (2.1%), and South Australia (2.4%). WA has also had weak growth in the last three years, including negative growth in 25/26, but this is offset by very strong growth a few years ago. Victoria continues to have the strongest overall growth, although there has also been strong growth in the last year in the ACT.

Regional changes are calculated at the SA3 level for the five-year time horizon, but these estimates should be treated with caution due to potential data integrity issues impacting regional classification.

Aged care bed growth, annual year to 30 June

Based on DHDA Aged Care Service / Homes and Branches List data



Bed growth by state

Based on DHDA Aged Care Service / Homes and Branches List data

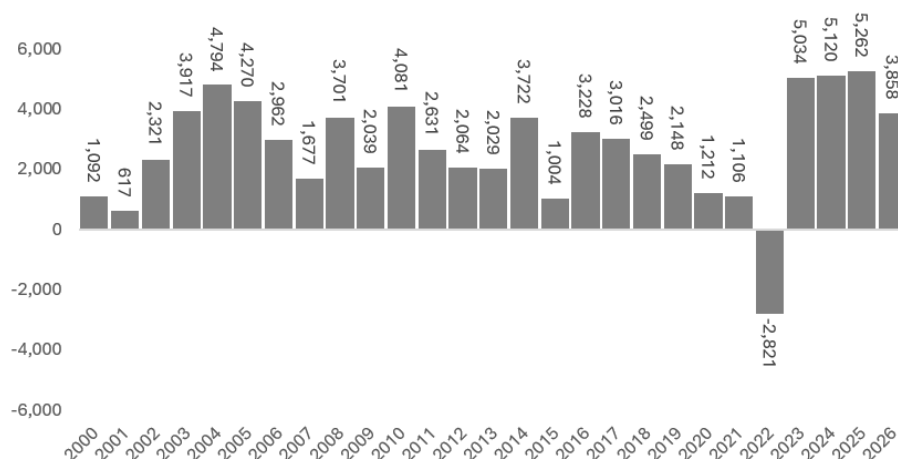
	1 year	5 years
Australia	1,672 (0.7%)	7,060 (3.2%)
NSW	583 (0.8%)	1,204 (1.7%)
VIC	752 (1.2%)	3,096 (5.3%)
QLD	86 (0.2%)	904 (2.1%)
WA	-31 (-0.2%)	1,180 (6.2%)
SA	116 (0.6%)	427 (2.4%)
TAS	-50 (-1%)	-18 (-0.4%)
ACT	190 (6.9%)	241 (8.9%)
NT	26 (4.7%)	26 (4.7%)

Resident growth

In comparison, based on preliminary data extracts, net resident growth was 3,858 (+1.9%) to 207,482 in 2025/26. Growth over the past five years was 16,453 (+8.6%), or 3,290 (+1.7%) per annum, noting that the average would be 4,819 (+2.5%) if it excluded the COVID period when resident numbers fell due to deaths.

Aged care resident growth, permanent and respite, annual year to 30 June

Based on GEN-Aged Care Data – People Using Aged Care, Reports on the Operation of the Aged Care Act, ACQSC Commission regulatory data extract Q4 2026



Resident growth is surprisingly low given the ageing population. Population projections suggest around 7,809 (+3.8%) net new residents in 2025/26, holding usage rates constant. This is unrealistic because usage rates have been declining for decades. But after adjusting for recent (post-COVID) declines in residential care usage, there should still have been 6,089 (+3.0%) additional residents in 2025/26. And even adjusting for the ten-year trend, which includes the Royal Commission and COVID, net resident growth should have been around 5,230 (+2.6%).

Last year, I estimated that resident growth in 2025/26 would be between 5,500 and 7,000. This was much lower than most were predicting, but clearly not conservative enough.

The low growth in resident numbers that we are now seeing is likely to be partly due to bed shortages.

Official data still suggests that there are 18,683 vacant beds. However, vacant beds and unmet demand are often in different locations. Additionally, official counts are based on “operational beds”, rather than “available beds”. The latter takes into account that some beds cannot be used, for example because a multibed room has been converted into a single room. There are also frictional vacancies as people move in and out, so occupancy can never be 100 per cent throughout the year.

Growing issues with delayed discharge of hospital patients, and stories from people in the community who are struggling to find a place, also provide strong evidence to support the impact of bed shortages.

Another factor in 2025/26 may have been the release of almost 90,000 net new home care packages. Historically, there has not been a clear correlation between more package releases and lower residential care admissions in specific age-sex-region cohorts. However, there are clearly many cases where home care keeps people out of residential care, so the lack of a clear correlation may be mainly due to delays in access. It is reasonable to expect some reduction in residential care admissions from so many extra packages, and this is supported by the fact that there seem to have been around 2,000 net new residents from July to September 2025, when there were no new packages being released. Another key piece of data will be whether the number of respite residents continues to fall, as it did in 2024/25, since this tends to indicate fewer vacant places. In any

case, Government is unlikely to be able to continue releasing 90,000 or more extra packages each year to reduce residential care demand growth by one or two thousand people.

Government does not reveal the actual projections for resident growth that underpin its budget forecasts. However, the substantial \$1.4 billion Commonwealth Budget underspend in aged care in 2025/26 suggests that it continues to overestimate resident growth.

Policy discussion

The latest data reinforces persistent weak residential aged care bed growth and suggests that bed shortages may now be suppressing resident admissions. This is contributing to delayed discharge of patients from hospitals, and significant difficulty finding vacant places in many locations.

Government has made several policy changes in recent years aimed at generating additional bed growth. These include increasing the approval threshold for accommodation prices, and increasing the accommodation supplement for supported residents, particularly for new builds. However, on balance these improvements are offset by diminished margins due to weak indexation of care funding, creating expectations for further margin erosion going forward, even for homes with much better than average financial performance. Homes with strong financial performance have also often relied on Additional and Extra Services and this has fallen in the context of the transition of these fees to HELF. There is likely to be a further decline in revenue as existing residents transition from the old regime to HELF from 1 November 2026. Current margins are also only being sustained in the context of a significant proportion of homes not meeting their care minute requirements.

There are a number of policy options that Government could pursue to increase the number of residential care beds and make better use of existing beds. Some involve additional expenditure from Government to better reflect care costs. Others involve increasing contributions from older residents with capacity to pay. Finally, there are some options that involve supporting increased productivity through greater regulatory flexibility.

1. **Implement the broader recommendations of the Accommodation Review** including zero interest loans and further flexibility for Refundable Accommodation Deposits (RADs). Zero interest loans will significantly improve the business case for new builds. However, the benefits of this will be constrained unless broader concerns about financial performance, including for existing homes, can be addressed.
2. **Increase retentions.** Industry proposals were originally for a 3% rather than 2% annual retention from RADs. Increasing retentions to the original industry proposal while maintaining the 10% lifetime cap would significantly improve sector financial performance without any additional government funding if it were the preference of government to meet rising costs without further relying on taxpayers.
3. **Scrap HELF and move to a flexible daily fee subject to a cap.** HELF rules have caused significant confusion, created substantial additional administrative effort, led to inequality within homes, and forced some providers to adopt controversial practices such as charging for televisions in an attempt to maintain revenue. Consideration should be given to the 2017 Tune Review recommendation to align daily service fees with accommodation fee regulation. In other words, there should simply be a flexible service fee for each home, incorporating the Basic Daily Fee and Hotelling Supplement and subject to regulatory approval above a reasonable threshold.
4. **Allow better targeting of care minutes.** Currently care minute targets are set each quarter at the home level based on a rough AN-ACC casemix adjustment. However, some residents and homes require more staffing than this rough adjustment suggests. Allowing providers to reallocate minutes between homes would let them concentrate minutes where they can have the biggest impact, including taking more complex patients from hospitals. This would increase the ability of existing beds to support the needs of older people and the health system without any additional cost.
5. **Implement a “trusted provider” regulatory model.** The per resident cost of delivering aged care has doubled in the last decade, driven largely by changes arising from the Royal Commission due to a lack of trust in

providers. However, the Royal Commission also highlighted that there were many good providers. Providers and individual homes that demonstrate strong performance across resident and employee surveys, rigorously adjusted and measured clinical indicators, and regulatory compliance should be provided with additional flexibility on some regulatory requirements to allow them to generate the financial surplus required to expand their operations and support new people. This would generate a pathway to financial sustainability that rewards a focus on quality, and does not require any additional government funding.

6. **Fix IHACPA's methodology.** The current IHACPA methodology contains a number of decisions that inexplicably exclude or misallocate substantial expenses from the cost base that is used to calculate AN-ACC and the Hotelling Supplement. This includes the exclusion of home level (but not corporate) administration costs from care expenses. This results in care funding that is too low as well as an overallocation of costs to hotel services. The hotel services cost base is also substantially depressed by the decision to net off all additional services revenue from costs. Finally, payroll tax costs are excluded from the cost base without any justification.

Appendix 1 – Estimated 5 year changes in beds by SA3 Note: These changes should be treated with caution. Beds are placed within SA3 boundaries using published coordinate data which are occasionally updated, and sometimes this pushes a home across a regional boundary which falsely registers as a change in beds. Adjustments have been made to address this issue but some errors could remain.

State	SA3	Residential beds, 2026	Five-year change
NSW	Queanbeyan	327	+6
NSW	Snowy Mountains	76	-83
NSW	South Coast	1,050	-38
NSW	Goulburn - Mulwaree	409	+5
NSW	Young - Yass	360	+29
NSW	Gosford	2,124	+206
NSW	Wyong	1,971	0
NSW	Bathurst	566	-4
NSW	Lachlan Valley	618	-98
NSW	Lithgow - Mudgee	408	-58
NSW	Orange	651	-16
NSW	Clarence Valley	862	+171
NSW	Coffs Harbour	945	+65
NSW	Bourke - Cobar - Coonamble	85	-8
NSW	Broken Hill and Far West	219	0
NSW	Dubbo	832	-48
NSW	Lower Hunter	774	-44
NSW	Maitland	724	+175
NSW	Port Stephens	652	-52
NSW	Upper Hunter	221	-68
NSW	Dapto - Port Kembla	922	+37
NSW	Kiama - Shellharbour	835	-89
NSW	Wollongong	1,197	-91
NSW	Great Lakes	649	+31
NSW	Kempsey - Nambucca	803	-29
NSW	Port Macquarie	1,414	+340
NSW	Taree - Gloucester	766	+12
NSW	Albury	742	-21
NSW	Lower Murray	109	+5
NSW	Upper Murray exc. Albury	474	-76
NSW	Armidale	341	0
NSW	Inverell - Tenterfield	466	+16
NSW	Moree - Narrabri	237	0
NSW	Tamworth - Gunnedah	826	+151
NSW	Lake Macquarie - East	1,182	+81
NSW	Lake Macquarie - West	1,223	-26
NSW	Newcastle	2,150	-179
NSW	Richmond Valley - Coastal	921	-5
NSW	Richmond Valley - Hinterland	646	-63
NSW	Tweed Valley	1,350	-35
NSW	Griffith - Murrumbidgee (West)	573	+10
NSW	Tumut - Tumbarumba	129	0
NSW	Wagga Wagga	1,008	+179
NSW	Shoalhaven	1,380	+124

NSW	Southern Highlands	669	-69
NSW	Baulkham Hills	2,076	+74
NSW	Dural - Wisemans Ferry	373	+4
NSW	Hawkesbury	36	+6
NSW	Rouse Hill - McGraths Hill	122	0
NSW	Blacktown	909	-50
NSW	Blacktown - North	379	+148
NSW	Mount Druitt	872	0
NSW	Botany	170	0
NSW	Marrickville - Sydenham - Petersham	321	-188
NSW	Sydney Inner City	708	+4
NSW	Eastern Suburbs - North	1,033	+19
NSW	Eastern Suburbs - South	1,145	-135
NSW	Bankstown	1,870	+32
NSW	Canterbury	917	+15
NSW	Hurstville	1,399	+124
NSW	Kogarah - Rockdale	1,453	-198
NSW	Canada Bay	740	0
NSW	Leichhardt	340	-85
NSW	Strathfield - Burwood - Ashfield	1,545	-285
NSW	Chatswood - Lane Cove	1,093	+185
NSW	Hornsby	979	+38
NSW	Ku-ring-gai	1,537	+463
NSW	North Sydney - Mosman	549	+33
NSW	Manly	173	-24
NSW	Pittwater	656	+20
NSW	Warringah	1,609	-188
NSW	Camden	670	+96
NSW	Campbelltown (NSW)	1,118	+244
NSW	Wollondilly	271	0
NSW	Blue Mountains	694	+17
NSW	Penrith	1,087	+156
NSW	Richmond - Windsor	403	-60
NSW	St Marys	260	+6
NSW	Auburn	431	0
NSW	Carlingford	289	-66
NSW	Merrylands - Guildford	1,260	+9
NSW	Parramatta	1,796	+78
NSW	Pennant Hills - Epping	431	+207
NSW	Ryde - Hunters Hill	1,563	-74
NSW	Bringelly - Green Valley	530	+214
NSW	Fairfield	1,416	+8
NSW	Liverpool	973	-2
NSW	Cronulla - Miranda - Caringbah	1,249	-57
NSW	Sutherland - Menai - Heathcote	1,425	-27
VIC	Ballarat	1,260	0
VIC	Creswick - Daylesford - Ballan	317	+46
VIC	Maryborough - Pyrenees	314	+51

VIC	Bendigo	1,291	+24
VIC	Heathcote - Castlemaine - Kyneton	612	+93
VIC	Loddon - Elmore	63	0
VIC	Barwon - West	176	0
VIC	Geelong	2,646	+68
VIC	Surf Coast - Bellarine Peninsula	1,179	+127
VIC	Upper Goulburn Valley	644	+28
VIC	Wangaratta - Benalla	627	-49
VIC	Wodonga - Alpine	651	+39
VIC	Baw Baw	652	+128
VIC	Gippsland - East	536	0
VIC	Gippsland - South West	821	+10
VIC	Latrobe Valley	1,071	-34
VIC	Wellington	483	-39
VIC	Brunswick - Coburg	456	-16
VIC	Darebin - South	430	+75
VIC	Essendon	661	+70
VIC	Melbourne City	694	-30
VIC	Port Phillip	653	-38
VIC	Stonnington - West	206	-124
VIC	Yarra	370	-89
VIC	Boroondara	2,272	+289
VIC	Manningham - West	1,409	+2
VIC	Whitehorse - West	1,184	+92
VIC	Bayside	1,421	+103
VIC	Glen Eira	1,587	-41
VIC	Kingston	1,261	+89
VIC	Stonnington - East	704	+6
VIC	Banyule	1,301	-56
VIC	Darebin - North	1,061	+64
VIC	Nillumbik - Kinglake	575	+45
VIC	Whittlesea - Wallan	1,723	+221
VIC	Keilor	696	+52
VIC	Macedon Ranges	383	+227
VIC	Moreland - North	1,128	0
VIC	Sunbury	192	0
VIC	Tullamarine - Broadmeadows	675	-30
VIC	Knox	1,885	+279
VIC	Manningham - East	377	-49
VIC	Maroondah	1,571	+245
VIC	Whitehorse - East	788	+44
VIC	Yarra Ranges	1,205	+263
VIC	Cardinia	766	+243
VIC	Casey - North	1,159	-43
VIC	Casey - South	927	+280
VIC	Dandenong	1,863	-55
VIC	Monash	2,346	-11
VIC	Brimbank	1,250	+15

Appendix 1 – Estimated 5 year changes in beds by SA3 Note: These changes should be treated with caution. Beds are placed within SA3 boundaries using published coordinate data which are occasionally updated, and sometimes this pushes a home across a regional boundary which falsely registers as a change in beds. Adjustments have been made to address this issue but some errors could remain.

VIC	Hobsons Bay	859	-30
VIC	Maribyrnong	598	0
VIC	Melton - Bacchus Marsh	627	-10
VIC	Wyndham	1,409	+369
VIC	Frankston	1,368	+169
VIC	Mornington Peninsula	2,553	+110
VIC	Grampians	903	-10
VIC	Mildura	600	+9
VIC	Murray River - Swan Hill	522	+5
VIC	Campaspe	559	-11
VIC	Moira	435	+1
VIC	Shepparton	724	-37
VIC	Glenelg - Southern Grampians	508	+6
VIC	Colac - Corangamite	400	-55
VIC	Warrnambool	551	-34
QLD	Capalaba	584	-118
QLD	Cleveland - Stradbroke	1,182	+256
QLD	Wynnum - Manly	502	-7
QLD	Bald Hills - Everton Park	508	+158
QLD	Chermside	736	0
QLD	Nundah	329	+20
QLD	Sandgate	801	-23
QLD	Carindale	473	+141
QLD	Holland Park - Yeronga	709	-41
QLD	Mt Gravatt	623	-51
QLD	Nathan	136	0
QLD	Rocklea - Acacia Ridge	684	+10
QLD	Sunnybank	495	+60
QLD	Centenary	474	0
QLD	Kenmore - Brookfield - Moggill	462	-110
QLD	Sherwood - Indooroopilly	331	+75
QLD	The Gap - Enoggera	581	0
QLD	Brisbane Inner	436	-153
QLD	Brisbane Inner - East	107	-151
QLD	Brisbane Inner - North	867	+67
QLD	Brisbane Inner - West	325	+125
QLD	Cairns - North	436	+4
QLD	Cairns - South	1,037	-87
QLD	Innisfail - Cassowary Coast	320	-60
QLD	Port Douglas - Daintree	116	0
QLD	Tablelands (East) - Kuranda	292	-2
QLD	Darling Downs (West) - Maranoa	379	+21
QLD	Darling Downs - East	522	-15
QLD	Granite Belt	544	+17
QLD	Central Highlands (Qld)	60	0
QLD	Rockhampton	1,141	+63
QLD	Biloela	94	0
QLD	Gladstone	220	0

QLD	Broadbeach - Burleigh	469	0
QLD	Coolangatta	503	0
QLD	Gold Coast - North	1,098	-43
QLD	Gold Coast Hinterland	41	+3
QLD	Mudgeeraba - Tallebudgera	383	0
QLD	Nerang	81	-81
QLD	Ormeau - Oxenford	800	0
QLD	Robina	876	0
QLD	Southport	1,067	-70
QLD	Surfers Paradise	80	-27
QLD	Forest Lake - Oxley	566	+150
QLD	Ipswich Hinterland	394	-26
QLD	Ipswich Inner	973	0
QLD	Beaudesert	227	0
QLD	Beenleigh	248	-131
QLD	Browns Plains	554	+5
QLD	Jimboomba	144	0
QLD	Loganlea - Carbrook	771	+7
QLD	Springwood - Kingston	634	+68
QLD	Bowen Basin - North	149	-6
QLD	Mackay	886	+15
QLD	Whitsunday	103	0
QLD	Bribie - Beachmere	314	-15
QLD	Caboolture	1,288	+18
QLD	Caboolture Hinterland	115	0
QLD	Narangba - Burpengary	613	+4
QLD	Redcliffe	1,003	+11
QLD	The Hills District	170	0
QLD	North Lakes	588	+30
QLD	Strathpine	310	+96
QLD	Far North	98	+12
QLD	Outback - North	71	-3
QLD	Outback - South	104	0
QLD	Buderim	485	-20
QLD	Caloundra	1,613	+366
QLD	Maroochy	1,181	0
QLD	Noosa	768	+135
QLD	Sunshine Coast Hinterland	252	0
QLD	Nambour	531	-43
QLD	Noosa Hinterland	92	+6
QLD	Toowoomba	1,729	-15
QLD	Charters Towers - Ayr - Ingham	538	+18
QLD	Townsville	1,281	+6
QLD	Bundaberg	893	-3
QLD	Burnett	437	-1
QLD	Gympie - Cooloola	445	+50
QLD	Hervey Bay	898	0
QLD	Maryborough	536	+189

SA	Adelaide City	165	0
SA	Adelaide Hills	617	+22
SA	Burnside	497	0
SA	Campbelltown (SA)	634	+16
SA	Norwood - Payneham - St Peters	410	-60
SA	Prospect - Walkerville	257	-32
SA	Unley	1,084	+127
SA	Gawler - Two Wells	375	+9
SA	Playford	830	+85
SA	Port Adelaide - East	662	-12
SA	Salisbury	1,137	+26
SA	Tea Tree Gully	935	-28
SA	Holdfast Bay	672	+131
SA	Marion	1,023	+2
SA	Mitcham	873	+75
SA	Onkaparinga	1,672	+2
SA	Charles Sturt	1,419	+16
SA	Port Adelaide - West	569	-66
SA	West Torrens	890	+34
SA	Barossa	355	+29
SA	Lower North	353	+18
SA	Mid North	334	-33
SA	Yorke Peninsula	365	+2
SA	Eyre Peninsula and South West	251	-57
SA	Outback - North and East	108	0
SA	Fleurieu - Kangaroo Island	715	+32
SA	Limestone Coast	672	+10
SA	Murray and Mallee	698	+79
WA	Augusta - Margaret River - Busselton	505	+98
WA	Bunbury	787	+93
WA	Manjimup	142	+5
WA	Mandurah	987	+127
WA	Cottesloe - Claremont	903	+156
WA	Perth City	1,766	+196
WA	Bayswater - Bassendean	745	-33
WA	Mundaring	167	-25
WA	Swan	686	+138
WA	Joondalup	701	+26
WA	Stirling	1,843	-46
WA	Wanneroo	1,128	-9
WA	Armadale	366	+36
WA	Belmont - Victoria Park	697	+79
WA	Canning	1,075	-144
WA	Gosnells	727	+9
WA	Kalamunda	481	+76
WA	Serpentine - Jarrahdale	68	0
WA	South Perth	1,027	+104
WA	Cockburn	817	-29

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WA	Fremantle	749	-52
WA	Kwinana	123	-20
WA	Melville	1,420	+338
WA	Rockingham	745	+119
WA	Albany	455	-45
WA	Wheat Belt - North	151	-5
WA	Wheat Belt - South	156	-5
WA	Kimberley	166	+17
WA	East Pilbara	56	0
WA	West Pilbara	30	+2
WA	Esperance	104	+10
WA	Goldfields	104	-36
WA	Mid West	281	0
TAS	Brighton	80	0
TAS	Hobart - North East	611	+28
TAS	Hobart - North West	638	+25
TAS	Hobart - South and West	212	0
TAS	Hobart Inner	584	-120
TAS	Sorell - Dodges Ferry	112	+40
TAS	Launceston	1,167	-24
TAS	Meander Valley - West Tamar	95	0
TAS	North East	261	+10
TAS	Central Highlands (Tas.)	18	0
TAS	Huon - Bruny Island	109	+9
TAS	South East Coast	50	0
TAS	Burnie - Ulverstone	580	0
TAS	Devonport	494	+8
TAS	West Coast	97	+6
NT	Darwin City	111	+26
NT	Darwin Suburbs	161	0
NT	Palmerston	88	0
NT	Alice Springs	168	0
NT	Katherine	57	0
ACT	Belconnen	707	+152
ACT	North Canberra	343	0
ACT	South Canberra	432	-33
ACT	Tuggeranong	395	-57
ACT	Weston Creek	393	0
ACT	Woden Valley	574	+81
ACT	Molonglo	98	+98