Overcharged accommodation payments

Protecting residents' financial interest

Overcharged accommodation payments

The Prudential Standards contained in the *Aged Care Act 1997* (Act) and the *Fees and Payments Principles 2014 (No. 2)* detail your responsibilities for the use and management of your residents' refundable accommodation deposits (RADs).

Section 52G-3 of the Act states the Minister for Aged Care may set a maximum amount of accommodation deposit.

This amount is indexed annually. You can find the current maximum amount on the Department of Health, Disability and Ageing website.

If there's a daily accommodation payment (DAP) component, please note that DAPs will be indexed from 1 November 2025. You can find more information about this on the Department's website.

Charging over the maximum accommodation deposit

If you're seeking to charge more than the maximum amount for a room, you must get approval from the Independent Health and Aged Care Pricing Authority (IHACPA) in line with Section 52G-4 of the Act.

Approval by IHACPA and the former Aged Care Pricing Commissioner (ACPC) to charge a higher maximum accommodation amount is granted for a period of 4 years.

You must reapply if:

- ✓ you want to increase the rate during this period above the allowable annual indexation

- ✓ this period is about to expire or has expired.

You can only charge a higher rate if your approval is current.

> **Remember:**
>
> - you can't charge a conditionally approved amount if you don't have a 'Satisfaction of Conditions' letter from IHACPA
>
> - you can only charge an approved amount from the day it is approved
>
> - you can't increase or agree to increase a resident's accommodation price (even after getting approval or through indexation).

Governance

You must have robust policies and procedures in place to ensure you do not overcharge. You're not permitted to charge a price more than the maximum accommodation deposit unless you:

- ⊘ have a current approval from IHACPA or the former ACPC
- ⊘ document and date each room price approval
- ⊘ set out the amount that applies to each room, or part room
- ⊘ document the expiry date of each approval
- ⊘ reapply for approval at least 60 days before expiry date if you want to keep charging the same price or a higher price
- ⊘ publish the approved price on:
  - your website
  - My Aged Care
  - any written information for prospective residents.

If you have charged more than the maximum amount as an accommodation payment but have not met the above requirements, you have overcharged.

What to do if you have overcharged

You have an obligation under the *User Rights Principles 2014* to protect residents' interests and notify them if you become aware of an overpayment.

You must support residents to understand why they have been overcharged and repay them the difference plus any interest. You can refer to the refund amount calculations and interest calculations in this fact sheet and s75 of the *Fees and Payments Principles 2014 (No.2)*.

If you have overcharged, you must report the error immediately to the Aged Care Quality and Safety Commission: prudential@agedcarequality.gov.au. The Department of Health, Disability and Ageing and the Aged Care Quality and Safety Commission (the Commission) will work with you to rectify the issue.

You must also:

- ⊘ promptly advise the resident, their representative or the resident's estate that you have overcharged their accommodation payment, detailing the amount you owe, including interest payable
- ⊘ provide the resident with a written proposal for the refund amount, including how and when the refund will be completed
- ⊘ give the resident the Overcharged accommodation payments – your rights fact sheet
- ⊘ advise the resident that they may wish to seek advice from a senior rights service and seek legal or financial advice from Services Australia's Financial Information Service (FIS). Help the resident to access external complaints or support services such as the Commission or the Older Persons Advocacy Network.

✓ refund the resident the amount you owe, including any interest

✓ hold and give records to keep the resident informed

✓ if there is a DAP component, you must immediately stop overcharging the DAP and charge the resident no more than the maximum RAD (or equivalent DAP) until they depart

✓ keep records to demonstrate your compliance, including the resident's acceptance of the refund proposal

✓ review and update your governance procedures to prevent overcharging from reoccurring

✓ remove the higher price from your provider profile on My Aged Care, and from your provider website and all promotional materials

✓ report the non-compliance through the Provider Operations Collection Form.

> **The Commission may take enforcement action if you do not meet your obligations. This could impact your Star Rating.**

Working out accommodation payment refund amounts

The refund amount payable is the difference between the price your resident paid and the maximum that can be charged without approval.

Example 1 – Resident paid a full RAD

Your resident paid a full RAD of $950,000 on 1 February 2025, but you were not approved to charge more than $750,000 on the date you agreed to this room price. You must refund the resident the difference between these amounts.

Refund amount = $950,000 - $750,000

= $200,000

Example 2 – Resident paid a DAP

You and your resident agreed on a room price of $800,000 on 22 February 2025. Upon entering care on 1 March 2025, your resident chose to pay this amount as a DAP.

$$DAP = RAD \times MPIR^* / 365$$

$$= \$800,000 \times 7.06\% / 365$$

$$= \$154.74 \text{ per day}$$

You were not approved to charge more than $750,000 on 22 February 2025 when you agreed on the room price. You must refund the DAP equivalent of the difference between $800,000 and $750,000 for each day the resident paid the DAP of $154.74.

$$\text{Refund amount} = (\$800,000 - \$750,000) \times MPIR^* / 365$$

$$= \$50,000 \times 7.06\% / 365$$

$$= \$9.67 \text{ per day}$$

If your resident paid the $154.74 DAP from 1 March to 30 June 2025, the total refund amount you must pay would be:

$$\text{Refund amount} = \$9.67 \text{ per day} \times 122 \text{ days}$$

$$= \$1,179.74$$

---

* This is the maximum permissible interest rate (MPIR) current on the resident's price agreement date. Find current and past MPIRs on the Department of Health, Disability and Ageing website.

Example 3 – Resident paid a combination of RAD and DAP

You and your resident agreed to a room price of $800,000 on 10 January 2025. Upon entering care on 12 January 2025, your resident chose to pay this amount as a combination of $200,000 as a RAD and $600,000 as a DAP.

$$DAP = RAD \times MPIR^* / 365$$
$$= \$600,000 \times 7.06\% / 365$$
$$= \$116.05 \text{ per day}$$

You were not approved to charge more than $750,000 on 10 January 2025 when you agreed on the room price. The resident paid $200,000 as a RAD, so you can only charge them a DAP amount equivalent to the remaining $550,000 to meet the approved accommodation price.

You must refund the DAP equivalent of the difference between $600,000 and $550,000 for each day the resident paid the DAP of $116.05.

$$\text{Refund amount} = (\$600,000 - \$550,000) \times MPIR^* / 365$$
$$= \$50,000 \times 7.06\% / 365$$
$$= \$9.67 \text{ per day}$$

If your resident paid the DAP of $116.05 from 12 January to 30 June 2025, your total refund amount would be:

$$\text{Refund amount} = \$9.67 \text{ per day} \times 170 \text{ days}$$
$$= \$1,643.90$$

For an agreed room price of $800,000, if your resident paid a RAD over $750,000 and a DAP equivalent to the remaining amount, you would need to refund:

- all of the DAP the resident paid, and
- any amount of RAD the resident paid over $750,000.

Calculation of interest payable

If you do not refund overpaid accommodation payments within 28 days of becoming aware of the overpayment, you will also need to pay interest on the refund amount.

There is a set formula to calculate the interest you owe in s75 of the *Fees and Payments Principles 2014 (No.2)*. You need to know the:

- number of days in the period (ND(PP)) beginning 28 days after you:
  - become aware of the overpaid amount, or
  - receive the resident's written request to refund the overpayment

- overpaid amount (OA) is the difference between the amount that was meant to be paid and the amount that was paid
- maximum permissible interest rate (MPIR) for the day that is 28 days after you either:
  - became aware of the overpaid amount or
  - received the resident's written request to refund the overpayment.

The Department of Health, Disability and Ageing lists the MPIRs, which are updated quarterly.

Leap year interest calculations:

To calculate your ND(PP) include the extra day, 29 February.

To calculate the interest payable in a leap year, continue to divide by 365.

$$\text{Interest payable} = \frac{MPIR \times OA \times ND(PP)}{365}$$

---

* This is the maximum permissible interest rate (MPIR) current on the resident's price agreement date. Find current and past MPIRs on the Department of Health, Disability and Ageing website.

Further information

Prudential Standards webpage

Independent Health and Aged Care Pricing Authority (IHACPA)

Department of Health, Disability and Ageing – Managing accommodation payments and contributions for residential aged care

Published prices and maximum accommodation payment amounts

Daily accommodation payment (DAP) indexation

Contact us

Prudential@agedcarequality.gov.au

Subscribe

Financial and Prudential Regulatory Insights

Aged Care Quality Bulletin

September 2025