



Media release

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Establishment of Independent Health and Aged Care Pricing Authority marks milestone in aged care pricing

The Independent Hospital Pricing Authority (IHPA) welcomes an expansion of its functions as it sets out to contribute to major reforms of the Australian aged care system as part of the response to the Royal Commission into Aged Care Quality and Safety.

The *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* includes amendments that see the renamed [Independent Health and Aged Care Pricing Authority](#) (IHACPA) take on the role of providing costing and pricing advice on aged care to the Commonwealth Government.

Foundations for greater alignment of funding

Since 2011, IHPA has worked with all Australian governments to improve the health outcomes of Australian through its role in pricing public hospital services.

Mr David Tune AO PSM, Chair, IHACPA acknowledges the significance of the growing agency noting 'The decision to expand IHPA as part of the first legislation to pass in the new parliament recognises the importance of responsive pricing in achieving sustainability in health and aged care sectors.

IHACPA is committed to the same principles of transparency and evidence-based approaches as part of its work to develop and refine classifications, costing and pricing that improves the quality of care for older Australians receiving aged care services.'

Equitable funding for residential aged care

IHACPA's advice will now inform Commonwealth Government decisions on the pricing of residential aged care and respite care using the Australian National Aged Care Classification (AN-ACC) from 1 July 2023.

'Our policy agenda will focus on the new aged care subsidy funding model, AN-ACC, which is a fundamental change in how residential aged care funding is allocated as it replaces the existing Aged Care Funding Instrument from 1 October 2022.

'Through the introduction of AN-ACC, which reflects an activity based funding approach, IHACPA will support greater alignment of funding to each resident's care needs,' said Mr Tune AO PSM.



This will include undertaking analysis of cost, activity and financial reporting data, and consulting with stakeholders and advisory committees to ensure government funding is informed by the actual costs of delivering care and aligns with the person-centred quality care expected by the community.

The enabling legislation also gives effect to the transfer of functions from the Aged Care Pricing Commissioner to IHACPA. From 12 August 2022, IHACPA will continue the work of the Commissioner taking on the responsibility for reviewing and approving refundable accommodation deposits in residential aged care priced above \$550,000.

'I acknowledge the work of the Aged Care Pricing Commissioner, whose focus on working with stakeholders to ensure fair and informed decisions has improved consumer understanding and reduced administrative burden for aged care providers since 2014. This work has enabled refundable accommodation deposits to reflect the value of accommodation,' commends Mr Tune AO PSM.

Applications and resources previously accessible on the Aged Care Pricing Commissioner website are available on the IHACPA website and will be processed via the same easily accessible application process.

Future directions of aged care pricing

IHACPA's extended program of work will initially focus on the residential aged care and residential respite care funding model.

A key feature of IHACPA's vision for ensuring costing and pricing is representative, fair and responds to the challenges in the sector, is the authority's commitment to consultation.

IHACPA will seek input from stakeholders on its policy approach, methodology and high-level principles through an annual consultation paper that will govern its advice.

The resulting Pricing Framework for Australian Aged Care Services will be reviewed and updated annually to reflect new costing and pricing priorities and developments and improve the sustainability and efficiency of the aged care system over time.'

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Media enquiries

IHACPA Communications and Media Section

E: communications.ihacpa@ihacpa.gov.au P: +612 8215 1100

LinkedIn: [Independent Health and Aged Care Pricing Authority](https://www.linkedin.com/company/independent-health-and-aged-care-pricing-authority)

Twitter: [@IHACPA](https://twitter.com/IHACPA)



About the Independent Health and Aged Care Pricing Authority

The [Independent Health and Aged Care Pricing Authority](#) (IHACPA) is an independent government agency established in 2011 under Commonwealth legislation as part of the National Health Reform Agreement (NHRA), which sets out the intention of the Australian Government and state and territory governments to work in partnership to improve health outcomes for all Australians.

IHACPA's primary responsibility has been to enable the implementation of national activity based funding of public hospital services through the annual determination of the national efficient price (NEP) and national efficient cost (NEC). The NEP and NEC Determinations play a crucial role in calculating the Commonwealth funding contribution to Australian public hospital services, and offers a benchmark for the efficient cost of providing those services as outlined in the NHRA.

The *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* includes amendments that see the renamed Independent Health and Aged Care Pricing Authority (IHACPA) take on the role of providing costing and pricing advice on aged care to the Commonwealth Government, effective from 12 August 2022.

Under this measure, IHACPA will inform Australian government decisions on annual funding increases in residential aged care from 1 July 2023. IHACPA will also have a role in providing pricing advice on home aged care and community aged care services from 1 July 2024.

The IHACPA website provides further information on the agency's expansion. Interested stakeholders may seek to receive email updates by [subscribing to the IHACPA mailing list](#).