



IHACPA

Aged Care Consultation Frequently Asked Questions

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Independent Health and
Aged Care Pricing Authority

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The Independent Health and Aged Care Pricing Authority (IHACPA) has developed responses to a set of Frequently Asked Questions. These will assist with clarifying the work the agency is undertaking to develop the Pricing Framework for Australian Aged Care Services 2023–24, and to guide stakeholders through the public consultation process.

1. What is the Independent Health and Aged Care Pricing Authority's function in aged care?

Following the passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* (the Act), the Independent Hospital Pricing Authority (IHPA) was expanded and renamed to become the Independent Health and Aged Care Pricing Authority (IHACPA). In addition to IHPA's existing functions in the pricing of public hospital services, the newly formed IHACPA will take on the role of providing advice on the costing and pricing of aged care services to the Commonwealth Minister for Health and Aged Care.

IHACPA may also benchmark cost and activity data for aged care services and will provide an annual recommendation for an Australian National Aged Care Classification (AN-ACC) price to the Commonwealth Government. This will inform Commonwealth Government decisions on residential aged care and residential respite care funding from 1 July 2023. IHACPA will provide advice on the costing and pricing of home aged care following future reforms.

The passage of the Act also saw the transfer of functions from the Aged Care Pricing Commissioner to IHACPA. IHACPA therefore has the power to approve changes to extra service fees and residential aged care accommodation prices above \$550,000.

2. Is IHACPA's role in aged care pricing the same as its role in public hospital funding?

IHACPA determines the national efficient price and national efficient cost for delivering public hospital services each year. This calculation determines the amount of Commonwealth Government funding for public hospital services. In contrast, IHACPA's role in aged care pricing is advisory only. The Commonwealth Government will continue to have responsibility for determining the pricing and funding for Australian aged care services.

3. How is IHACPA's role in aged care different to the role of the Department of Health and Aged Care?

IHACPA's role in aged care pricing aims to ensure that funding for residential aged care and residential respite care is informed by the actual costs of delivering care.

IHACPA will provide annual pricing advice to the Commonwealth Minister for Health and Aged Care regarding the costs of care and how changes in the cost of care may be considered by the Commonwealth Government when making funding decisions.

The Department of Health and Aged Care will continue to be the aged care system operator. This includes responsibility for the operation and implementation of the Australian National Aged Care Classification (AN-ACC), determining how AN-ACC assessments are undertaken and reviewed, and the requirements for re-evaluation.

4. What is IHACPA's role in AN-ACC?

The Australian National Aged Care Classification (AN-ACC) funding model was developed by the University of Wollongong, commissioned by the Commonwealth Department of Health and Aged Care.

IHACPA will provide advice to the Commonwealth Government regarding decisions on the pricing of residential aged care and residential respite care from 1 July 2023. This advice will include recommendations for the national AN-ACC price as well as the national weighted activity units (NWAU) or price weights that determine the relative prices of different AN-ACC classes.

The ongoing implementation of activity based funding in residential aged care will be an extended, multi-year process involving evolution and refinement. IHACPA will work alongside stakeholders to:

- Develop, review and refine the Pricing Framework for Australian Aged Care Services.
- Review the distribution of residents across AN-ACC classes to provide advice on the price and the AN-ACC NWAU weightings.
- Conduct cost studies to gather the relevant data required to make recommendations on appropriate adjustments.
- Review and propose refinements to the cost components in the AN-ACC funding model including those involving Indigenous status, Modified Monash Model classifications, homelessness and other identified adjustment categories.
- Explore future areas of reform and priority and consider how these can be appropriately captured in classification, costing, pricing and funding model development.

5. Does IHACPA determine a resident's AN-ACC class?

IHACPA does not determine a resident's Australian National Aged Care Classification (AN-ACC) class. Independent assessors will use the AN-ACC assessment tool developed by the University of Wollongong to evaluate a resident's functional, cognitive and physical capabilities and assign them an AN-ACC class.

For more information about AN-ACC assessments, refer to: [AN-ACC assessment process and classification on the Australian Government Department of Health and Aged Care's website](#).

6. How will IHACPA's new role in aged care impact people receiving care?

IHACPA's provision of independent aged care pricing advice to the Commonwealth Government will aim to ensure that aged care funding, including through the new classification model for residential aged care and respite care, the Australian National Aged Care Classification (AN-ACC), is directly informed by the actual costs of delivering care.

IHACPA will seek to support a range of policy objectives through the Pricing Framework for Australian Aged Care Services, including enabling aged care providers to deliver the person-centered, quality care expected by the community and increased safety, efficiency and sustainability of the aged care system over time. Some objectives may be achievable in the short to medium-term. Other objectives, such as improved efficiency of the sector, are longer-term objectives.

7. What will IHACPA consider in its analysis of residential aged care costs?

IHACPA will consider any cost differentials by facility size, type or location and the costs associated with specific resident groups and the Australian National Aged Care Classification (AN-ACC) classes.

To support this, IHACPA will undertake regular costing studies, consider other available cost and activity data such as the Aged Care Financial Report and Quarterly Financial Report data, and seek input from stakeholders through annual public consultation and advisory committees. IHACPA invites stakeholders to make submissions relating to these issues in response to the Towards an Aged Care Pricing Framework Consultation Paper.

8. Will the processes IHACPA uses in aged care costing and pricing follow the same methods that it uses for public hospital pricing?

IHACPA's established role in public hospital pricing relies on a consultative, transparent and evidence-based approach. IHACPA is committed to these same principles in developing its aged care costing and pricing advice.

However, IHACPA acknowledges the need to ensure its aged care costing and pricing advice is developed specifically for the aged care system. IHACPA is committed to transparency and accountability in making impartial, evidence based and timely policy decisions that are appropriate for the aged care system.

While IHACPA will build on and draw from the principles adopted for public hospital pricing, the technical aspects of costing studies and the modelling used to develop pricing advice will be developed specifically for the aged care system. IHACPA seeks feedback on these methods through the Towards an Aged Care Pricing Framework Consultation Paper.

9. Will IHACPA consider aged care wages in its pricing advice?

IHACPA will provide pricing advice to the Commonwealth Government that considers the impact of wage increases on costs, only where these have been determined by the Fair Work Commission in the prior year. Where a wage determination is made and takes effect outside of IHACPA's advice cycle, the Commonwealth Government may seek additional advice from IHACPA. IHACPA will not assess the appropriateness of wages within the aged care system.

10. How often will IHACPA review its advice for the costing and pricing of aged care services?

IHACPA will develop and provide annual advice to inform Commonwealth Government decisions on the costing and pricing of residential aged care and residential respite services from 1 July 2023. IHACPA may also provide advice at other times if requested by the Commonwealth Government.

As part of annual pricing development, IHACPA will review the Pricing Framework for Australian Aged Care Services on an annual basis, to reflect new costing and pricing developments.

As part of this process, a consultation paper will be released annually to engage stakeholder views on the proposed approach to costing and pricing of aged care services.

11. When will IHACPA's advice start being considered by the Commonwealth Government to inform residential aged care and residential respite pricing advice?

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

12. Will IHACPA advise the Commonwealth Government on means testing and resident contributions in aged care?

IHACPA will not provide advice on means testing arrangements or the appropriate level of resident contributions in aged care. This will remain the responsibility of the Commonwealth Government.

13. Will the Pricing Framework for Australian Aged Care Services also include home care services?

The Pricing Framework for Australian Aged Care Services 2023–24 will initially focus on pricing advice for the Australian National Aged Care Classification (AN-ACC) funding model in the context of residential aged care and residential respite care.

The Commonwealth Government is developing reforms to home care services, and it is anticipated that IHACPA will advise on costing and pricing matters once these reforms take effect.

14. What is the purpose of the Towards an Aged Care Pricing Framework Consultation Paper?

IHACPA is committed to ongoing and transparent consultation with a wide range of stakeholders in the aged care system. The Towards an Aged Care Pricing Framework Consultation Paper is the primary opportunity for all stakeholders to contribute to the development and refinement of the Pricing Framework for Australian Aged Care Services 2023–24.

In the Towards an Aged Care Pricing Framework Consultation Paper, IHACPA outlines the proposed principles and approach for developing costing and pricing advice for residential aged care and residential respite care. The paper also highlights key issues and future priorities.

Public consultation will provide stakeholders with an opportunity to provide feedback on a range of matters, including:

- the proposed pricing principles, which will underpin the Pricing Framework for Australian Aged Care Services 2023–24
- the key challenges for aged care costing and pricing, and how best to address them in the development of the Pricing Framework for Australian Aged Care Services 2023–24
- the Australian National Aged Care Classification (AN-ACC) funding model in the context of residential aged care and residential respite care.
- the mechanisms that support activity based funding in aged care

15. Can anyone provide feedback on the Towards an Aged Care Pricing Framework Consultation Paper?

Yes. IHACPA is focused on ensuring that submissions are representative of the whole system and the community. IHACPA therefore seeks submissions reflecting the diversity of stakeholders, including people receiving care, their representatives and a wide range of organisations, roles, backgrounds and perspectives.

16. How do I give feedback on the *Towards an Aged Care Pricing Framework Consultation Paper*?

Feedback submissions close at 5pm AEDT on 14 October 2022 and can be submitted via:

- [Online submission questionnaire](#)
- Email in PDF or Word format to submissions.ihacpa@ihacpa.gov.au
- Mail to:

Independent Health and Aged Care Pricing Authority
PO Box 483
Darlinghurst NSW 1300

If you have further questions about the *Towards an Aged Care Pricing Framework Consultation Paper*, or require assistance with the submission process, please contact IHACPA via email at submissions.ihacpa@ihacpa.gov.au or by phone at (02) 8215 1100.

17. What makes a good submission to the *Towards an Aged Care Pricing Framework Consultation Paper*?

A good submission will generally include:

- your name and organisation (if applicable), as well as information about your role and area of expertise to help IHACPA understand your perspective and ensure we are obtaining submissions that are representative of the whole aged care system
- a focus on your area of expertise—stakeholders are encouraged to respond to questions in their area of expertise or specific of interest or relevance. Stakeholders do not need to answer all questions
- evidence to support your recommendations, including well-reasoned and evidence-based arguments, and the use of supporting references and/or data (if possible)
- feedback related to IHACPA's five-year vision for the development of aged care costing and pricing advice
- feedback related to the AN-ACC funding model for residential aged care and residential respite care.

18. What will happen with my submission?

Unless respondents specifically request that their submission or parts of their submission should not be released, all submissions will be published on the [IHACPA website](#). IHACPA retains, at its absolute discretion, the right not to publish any submissions or part thereof, where it considers it appropriate to do so.

Personal contact details for all submissions will be removed or redacted from each submission before they are published on IHACPA's website. Your information will be stored securely and used in accordance with [IHACPA's Privacy Policy](#).

The Pricing Framework for Australian Aged Care Services 2023–24 will be published on the IHACPA website in early 2023. IHACPA will also publish a consultation report in early 2023, which will summarise all the feedback received and the decisions made by IHACPA based on these submissions.