



Media release

16 August 2022

Newly formed Independent Health and Aged Care Pricing Authority releases consultation to inform aged care pricing advice

The Independent Health and Aged Care Pricing Authority (IHACPA) today released its [Towards an Aged Care Pricing Framework Consultation Paper](#) (the Consultation Paper).

All stakeholders are invited to provide feedback on the proposed approach to aged care pricing between 16 August to 14 October 2022.

IHACPA's role in the health and aged care sectors

The recent passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* (Cwlth) 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.

Developing independent costing and pricing advice

To support the development of independent costing and pricing advice to the Commonwealth Government, IHACPA is seeking input from stakeholders on its policy approach, methodology and high-level principles that will govern this advice as part of the Pricing Framework for Australian Aged Care Services (the Pricing Framework).

'IHACPA's established role in public hospital pricing relies on a consultative, transparent and evidence-based approach, and we are committed to these same principles in developing aged care costing and pricing advice,' notes Mr David Tune AO PSM, Chair, IHACPA.

'As the agency undertakes costing studies and analysis of activity data and financial reporting data that is available, we invite stakeholders from across the sector to provide their input on the future of aged care pricing reforms.'

A new funding model for residential aged care

This consultation focuses on the new Australian National Aged Care Classification (AN-ACC) funding model, 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 and uses independent assessments to better classify each resident’s care needs, IHACPA will be able to support greater alignment of funding to the actual costs of delivering care to each resident,’ said Mr Tune AO PSM.

Future directions and improvements

‘The implementation of funding on an activity basis in residential aged care will occur over several years with the aim to balance a range of policy objectives, including promoting the resident-centred, high-quality care expected by the community, and improving the sustainability and efficiency of the aged care system over time.’

‘As the classification, costing and pricing models will evolve and mature overtime, IHACPA is also seeking feedback on its overarching pricing principles, priorities for future developments and areas of work (such as an approach to pricing residential respite care), and potential adjustments to the residential aged care price,’ concluded Mr Tune AO PSM.

Submissions

Feedback gathered in this public consultation process will be used to inform the policy decisions in the Pricing Framework, which is set to be released in early 2023. The Pricing Framework underpins the pricing model, which will inform Commonwealth Government decisions on residential aged care funding from 1 July 2023.

The Pricing Framework will be reviewed and updated annually to reflect new costing and pricing priorities and developments, including providing advice on home and community aged care pricing.

Submissions can be emailed to submissions.ihacpa@ihacpa.gov.au, [submitted via an online submission form](#), or posted to PO Box 483, Darlinghurst NSW 1300 by 5pm AEDT on Friday 14 October 2022.

– ENDS –

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About the Independent Health and Aged Care Pricing Authority

The newly formed Independent Health and Aged Care Pricing Authority (IHACPA) is an independent government agency established 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.

In May 2020, the Commonwealth and all state and territory governments signed an Addendum that amends the NHRA and reaffirms IHACPA's primary function to enable the national activity based funding and block grant funding systems 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 offer a benchmark for the efficient cost of providing those services as outlined in the NHRA.

The recent passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* (Cwlth) saw the functions of the Independent Hospital Pricing Authority expand to take on the role of providing advice on the costing and pricing of aged care services, as a renamed IHACPA.

Responding to the findings of the [Royal Commission into Aged Care Quality and Safety](#), IHACPA will provide pricing advice to inform Australian Government decisions on residential aged care and respite care funding from 1 July 2023. IHACPA will also have a future role in providing pricing advice on home aged care and community aged care services.

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](#).

Scope of this consultation

This Consultation Paper will only apply to the development of the pricing and costing advice for Australian aged care services. A separate Pricing Framework for the pricing of Australian public hospital services is released for annual consultation in June, with the policy decisions published annually in December.