



IHACPA

Media release

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IHACPA releases National Efficient Price and National Efficient Cost Determinations for 2023–24

The Independent Hospital and Aged Care Pricing Authority (IHACPA) today released the National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2023–24.

The Determinations play a crucial role in the calculation of the Commonwealth funding contribution to Australian public hospital services and offer a benchmark for the efficient cost of providing those services as prescribed by the National Health Reform Agreement.

IHACPA recognises the Australian healthcare system is facing significant and unprecedented challenges arising from the impact of coronavirus disease 2019 (COVID-19) and increased price inflation in the Australian and global economy.

In developing the NEP Determination for 2023–24 (NEP23 Determination), IHACPA has aimed to be responsive to these issues and their relevance to pricing model development. IHACPA will continue to consider these issues during the development of the NEP Determination for 2024–25, in consultation with stakeholders.

Accounting for the impact of COVID-19

Coronavirus disease 2019 (COVID-19) has resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals.

The NEP23 Determination uses 2020–21 cost and activity data, which includes a full financial year of data impacted by the COVID-19 pandemic response. IHACPA has undertaken extensive analysis in consultation with jurisdictions and stakeholders to assess and account for the impact of COVID-19 on this data and the expected changes to public hospital activity, costs and models of care in 2023–24.

In response to this analysis, IHACPA has introduced a COVID-19 treatment adjustment for relevant AR-DRGs. This aims to account for the expected additional costs associated with treating admitted patients for COVID-19 in 2023–24.

Updated classifications

In 2023–24, IHACPA will price admitted acute care using the new Australian Refined Diagnosis Related Groups Classification (AR-DRG) Version 11.0.

IHACPA will also price non-admitted care using Tier 2 Non-Admitted Services Classification Version 8.0. This includes four new classes for '20.58 Long COVID', '40.65 Violence, abuse and neglect services', '40.66 Genetic counselling' and '40.67 Long COVID'.

National Efficient Price Determination

The NEP for 2023–24 is \$6,032 per national weighted activity unit (NWAU).

For example:

- A tonsillectomy has a weight of 0.7726 NWAU which equates to \$4,660.
- A coronary bypass (minor complexity) has a weight of 5.4876 NWAU which equates to \$33,101.
- A hip replacement (minor complexity) has a weight 3.9330 NWAU which equates to \$23,724.

National Efficient Cost Determination

Block funding, or the national efficient cost (NEC), is used for public hospital services that are not currently suitable for activity based funding. The Commonwealth funding contribution for small rural hospitals is calculated based on a fixed-plus-variable block funding structure.

For 2023–24, the fixed cost is \$2.169 million and the variable cost is \$5,984 per NWAU. An additional loading of 48.3 per cent is applied for very remote hospitals.

In addition to small rural hospitals, other services such as teaching, training and research and non-admitted mental health services are eligible for block funding under the NEC.

Open and consultative approach to setting the price

IHACPA consulted extensively with all Australian governments, stakeholder groups and the wider public to ensure its decisions align with national health objectives.

Prior to releasing the 2023-24 NEP and NEC, IHACPA published the [Pricing Framework for Australian Public Hospital Services 2023–24](#), which includes the major policy decisions that inform the NEP and NEC Determinations.

About Independent Hospital and Aged Care Pricing Authority (IHACPA)

IHACPA is an independent government agency established in 2011 as part of the [National Health Reform Agreement](#) that works in partnership with all Australian governments to improve health outcomes for Australians.

Its primary responsibility has been to enable the implementation of national activity based funding for public hospital services through the annual determination of the national efficient price and national efficient cost.

On 12 August 2022 amendments to the *National Health Reform Act 2011* came into effect, expanding IHACPA's role to include the provision of aged care costing and pricing advice to the Commonwealth Government.

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