



**IHACPA**

**Pricing Framework for  
Australian Residential  
Aged Care 2024-25  
Consultation  
Frequently Asked  
Questions**

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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 Residential Aged Care Services, 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) on 12 August 2022, the Independent Hospital Pricing Authority (IHPA) was expanded and renamed to become IHACPA. In addition to its functions in the pricing of public hospital services, IHACPA has responsibility for providing advice on the costing and pricing of aged care services to the Australian 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 Australian Government. This will inform Australian Government decisions on residential aged care and residential respite care funding for each year.

IHACPA will provide advice on the costing and pricing of the Support at Home program from 1 July 2025.

The passage of the Act also saw the transfer of functions from the Aged Care Pricing Commissioner to IHACPA. This means that IHACPA has responsibility for reviewing and approving applications to charge [Refundable Accommodation Deposit \(RAD\)](#)'s above the Minister's maximum amount of \$550,000 as well as applications to increase or decrease [extra service fees](#).

## 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 Australian Government funding for public hospital services.

In contrast, IHACPA's role in aged care pricing is advisory only. The Australian 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 pricing different to the role of the Department of Health and Aged Care?**

IHACPA's role in aged care aims to ensure that pricing advice 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 Australian Minister for Health and Aged Care regarding the costs of care and how changes in the cost of care may be considered by the Australian Government when making funding decisions.

The Department of Health and Aged Care will continue to be the aged care system operator, and retains policy and system management responsibility for matters including:

- aged care subsidies, supplements and grants
- approval and classification of care recipients for care funding
- approved provider obligations and responsibilities
- quality of care
- the aged care workforce
- care minutes and 24/7 registered nurse requirements in residential aged care
- appropriate level of financial contributions by residents
- operation of the AN-ACC, including determining how AN-ACC assessments are undertaken and reviewed, the requirements for re-classification, and contracting independent Assessment Management Organisations to undertake AN-ACC assessments
- financial viability of the sector.

### **4. How is IHACPA's role in aged care pricing different to the role of the Aged Care Quality and Safety Commission?**

IHACPA's expanded role in providing independent aged care pricing advice will aim to ensure that aged care funding, including through the new classification system for residential aged care and respite care, AN-ACC, is directly informed by the actual costs of delivering care.

The Aged Care Quality and Safety Commission retains responsibility for functions including:

- approval of providers to deliver aged care services
- assessing and monitoring of the quality care and services against the Aged Care Quality Standards
- aged care regulation including compliance, investigations and complaints resolution
- financial and prudential regulation.

## 5. Will the work of the Aged Care Taskforce be considered in IHACPA's residential aged care pricing framework and pricing advice?

The Aged Care Taskforce (the Taskforce) was established by the Minister for Aged Care to review funding arrangements for aged care and develop options for a system that is fair and equitable.

IHACPA will work with the Australian Government to understand principles and recommendations of the Taskforce, including any impact on IHACPA's pricing advice and pricing framework. The Taskforce is expected to consult with stakeholders through a separate process.

More information on the Taskforce can be found in the [Department of Health and Aged Care's website](#).

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

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

IHACPA will provide annual advice to the Australian 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 Residential Aged Care Services.
- Review the distribution of residents across AN-ACC classes to provide advice on the price and 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.

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

IHACPA does not determine a resident's AN-ACC class. Independent assessors will use the AN-ACC assessment tool 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](#).

## 8. How will IHACPA's new role in aged care pricing impact people receiving care?

IHACPA's provision of independent aged care pricing advice to the Australian Government will aim to ensure that aged care funding, including through the new classification model for residential aged care and respite care, 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 Residential 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. Others, such as improved efficiency of the sector, will be achieved over the longer-term.

## 9. 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 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 Consultation Paper.

## 10. 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 Consultation Paper.

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

IHACPA will provide pricing advice to the Australian 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 Minister for Health and Aged Care may seek additional advice from IHACPA. IHACPA will not assess the appropriateness of wages within the aged care system.

## 12. What is 'costing and pricing'?

**Costing** refers to the analysis of the costs involved in residential aged care services.

The collection of cost data in Australian hospitals has a long history. The National Hospital Cost Data Collection was established in the late 1990's and has evolved into a comprehensive collection of patient level costs from a very large sample of public hospitals.

In contrast, there is not a history of resident level cost information that has been collected systematically and consistently in the aged care system. A series of costing studies will be required to support future classification and pricing refinement. This will be a multi-year and multifaceted process where costing practices and datasets grow and are refined overtime

**Pricing** refers to the analysis of cost and activity data to determine IHACPA's residential aged care pricing advice to the Australian Government.

## 13. 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 Australian Government decisions on the costing and pricing of residential aged care and residential respite care services from 1 July 2023. IHACPA may also provide advice at other times if requested by the Australian 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.



To support 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.

#### **14. When will IHACPA's advice start being considered by the Australian Government to inform residential aged care and residential respite pricing advice?**

IHACPA's advice to inform Australian Government decisions on the pricing and funding of residential aged care and residential respite care commenced from 1 July 2023. IHACPA will continue to provide annual advice to the Australian Government each year.

#### **15. Will IHACPA advise the Australian 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 Australian Government.

#### **16. Will the Pricing Framework for Australian Residential Aged Care Services also include home care services?**

The Pricing Framework for Australian Residential Aged Care Services will focus on pricing advice for the AN-ACC funding model in the context of residential aged care and residential respite care.

IHACPA will provide costing and pricing advice for the Support at Home program commencing 1 July 2025. The Support at Home program will have its own separate Consultation Paper and Pricing Framework.

#### **17. What is the purpose of the public consultation?**

IHACPA is committed to ongoing and transparent consultation with a wide range of stakeholders in the aged care system. The Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services (the 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 each year. The consultation allows IHACPA to gather contributions on priorities for pricing advice in the year ahead and helps with the development of future priorities.

## 18. Can anyone provide feedback on the 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.

## 19. What services does AN-ACC apply to?

AN-ACC is the new funding model for residential aged care and residential respite aged care services, which commenced 1 October 2022.

For more information on AN-ACC, please refer to the [AN-ACC funding guide](#) available on the Department of Health and Aged Care's website.

## 20. What is the purpose of the Pricing Framework?

The Pricing Framework for Australian Residential Aged Care Services (the Pricing Framework) is the key policy document for IHACPA related to residential aged care and residential respite care. The Pricing Framework underpins IHACPA's approach to developing residential aged care costing and pricing advice to the Australian Government.

The Pricing Framework outlines the principles, scope and methodology that is adopted by IHACPA to provide annual advice on residential aged care pricing matters.

## 21. 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 will be published on the IHACPA website each year. IHACPA will also publish a consultation report, which will summarise all the feedback received, and the decisions made by IHACPA based on these submissions.