

## Schedule of documents – Freedom of information request no. 1/2025

Document no.	Date	Size	Description	Other information
1.	5 Jul 2024	22 pages	Report – Residential Aged Care Cost Collection (RACCC) 2024 Costing Methodology	Released in full
2.	Nov 2023	102 pages	Published document - <a href="#">Residential Aged Care Costing Study 2023</a>	Released in full – publicly available
3.	Apr 2023	15 pages	Published document – <a href="#">Residential Aged Care Pricing Advice 2023–24</a>	Released in full – publicly available
4.	May 2023	34 pages	Published document – <a href="#">Residential Aged Care Pricing Advice 2023-24 Technical Specifications</a>	Released in full – publicly available
5.	Aug 2024	55 pages	Published document – <a href="#">Residential Aged Care Pricing Advice 2024–25 Technical Specifications</a>	Released in full – publicly available
6.	21 Oct 2024	1 page	Agenda – Internal Aged Care Working Group	Released with irrelevant matter deleted under s 22 of the FOI Act
7.	May 2023	5 pages	Email – Payroll Tax	Released with irrelevant matter deleted under s 22 of the FOI Act
8.	5 May 2023	1 page	Email – Payroll tax in RACPA	Released in part with redaction of personal information
9.	15 June 2023	2 pages	Email – URGENT ADVICE required – Payroll tax	Released in part with redaction of personal information
10.	17 Oct 2023	1 page	Email – Interest and payroll tax	Released in part with redaction of personal information

Independent Health and Aged Care Pricing Authority

# Residential Aged Care Cost Collection (RACCC) 2024

## Costing Methodology

5 July 2024

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# 1. Costing approaches

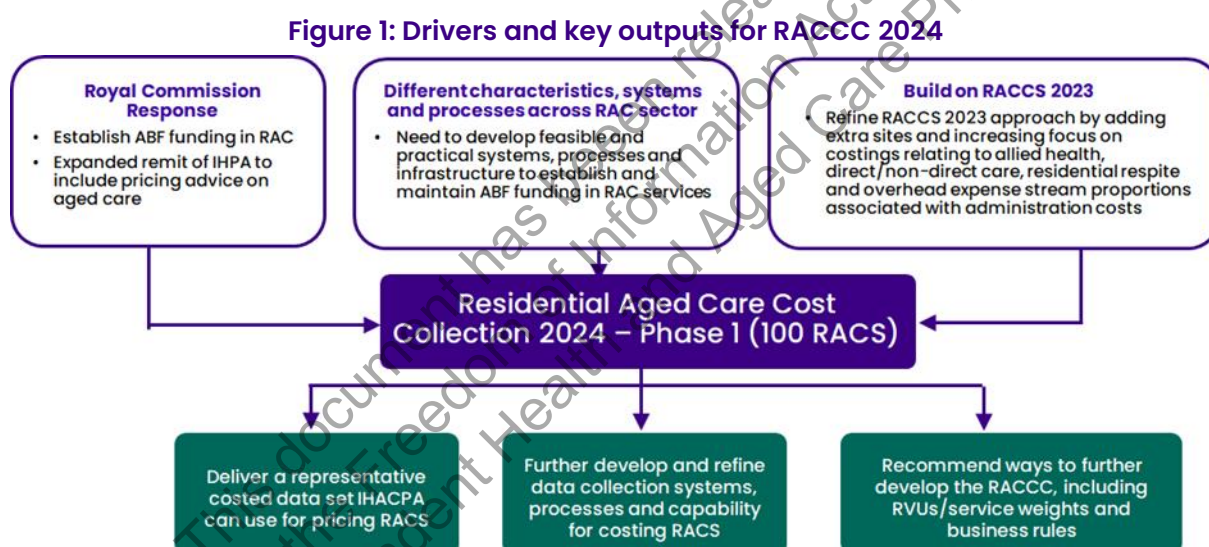
On 14 May 2024, the Independent Health and Aged Care Pricing Authority (IHACPA) engaged a consortium led by HealthConsult to:

**"design and implement the Residential Aged Care Cost Collection (RACCC) 2024 – Phase 1".**

## 1.1. Context

RACCC 2024 will replicate the Residential Aged Care Costing Study (RACCS) 2023, with refinements and additions, to produce a robust cost, time, and activity dataset that IHACPA can use as the basis for pricing Residential Aged Care Services (RACS).

Figure 1 summarises the key drivers and desired outputs for RACCC 2024 – Phase 1.



## 1.2. Background

The costing methodology has been developed after considering the AN-ACC funding model, particularly the need to be able to identify the following categories of expenditure at the resident bed day level:

- Care Costs:** including labour (split between direct care for residents and staff, and unallocated care expenditures, such as capturing clinical notes, phoning family members etc) and resident expenses
- Hotel Costs:** includes expenses such as cleaning, catering, laundry etc

- **Accommodation Costs:** includes expenses such as employee labour, depreciation and maintenance expenditures
- **Administration Costs:** these include expenses such as corporate recharges, insurance, quality, etc.

## 1.3. Purpose and structure of the document

The purpose of this document is to set out the methodology that will be used for costing residential aged care participants in the RACCC 2024.

This document is structured to include:

- **Chapter 2:** An overview of the costing methodology
- **Chapter 3:** Details of the inputs to the costing process
- **Chapter 4:** Allocation of administrative expenditures
- **Chapter 5:** Costing allocation method and business rules
- **Chapter 6:** Costing outputs

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## 2. Costing overview

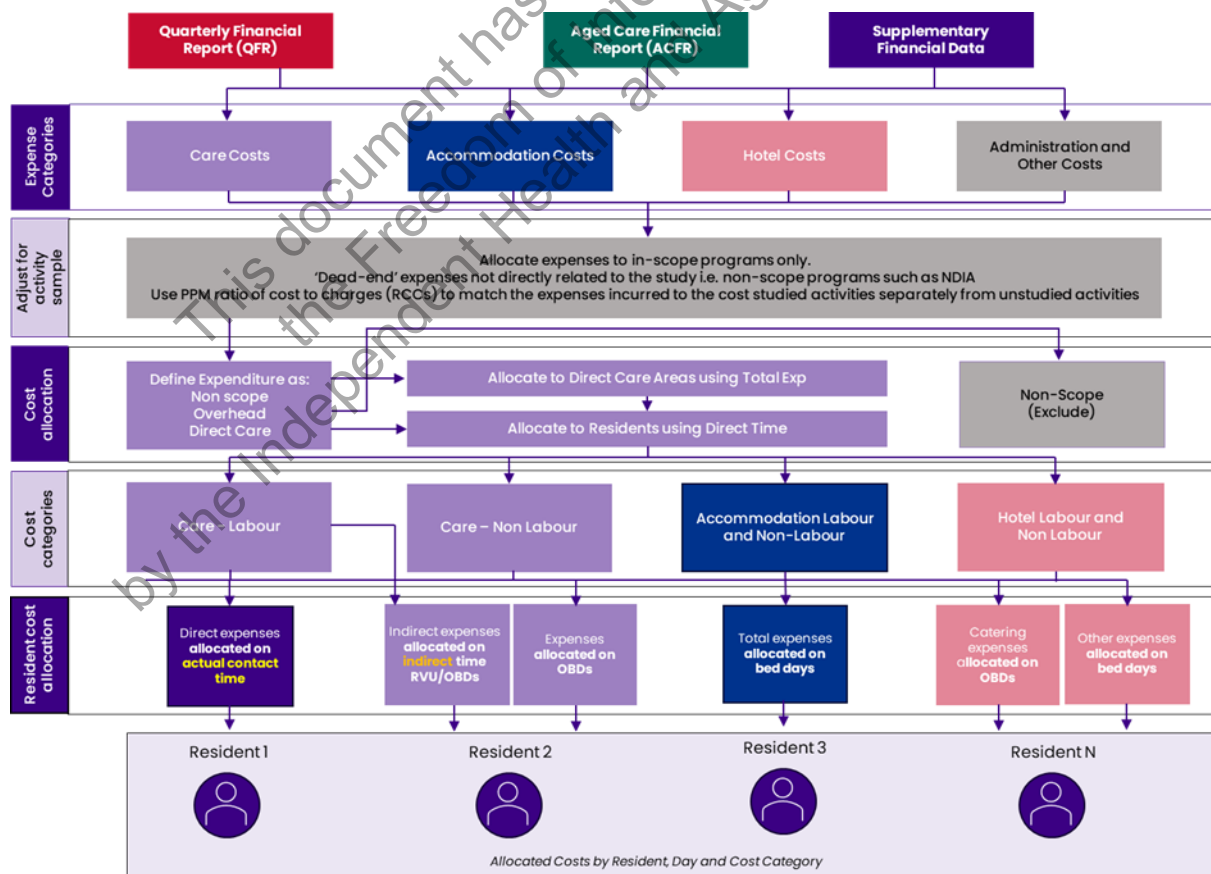
This Chapter provides an overview of the costing approach for the RACCC 2024 study.

Figure 2 summarises the costing methodology. Key features of the costing methodology include:

- A costing structure consisting of the broad categories of residential aged care expenses (expense streams), comprising Care expenses (labour and other resident expenses), Hotel expenses, Accommodation and other expenses, including Administration
- Allocations to cost types (or cost categories) for reporting
- The allocation methodology for each cost type, including the required metrics used to allocate expenditures to each cost bucket ('products')

The costing will be undertaken using PowerHealth Solutions (PHS) costing 'engine' PowerPerformance Manager (PPM), with input and oversight from the HealthConsult Consortium Project Team

**Figure 2: High level flow diagram of the costing methodology**



## 3. Inputs for the costing process

This Chapter outlines the costing process for the RACCC 2024, which will involve several data input sources detailed below. The data request specifications (DRS) have been separately produced; please refer to the RACCC 2024 Implementation Plan.

### 3.1. Financial data

The ultimate aim is to provide the financial data within the expense categories that align with the Aged Care Financial Report (ACFR) and Quarterly Financial Report (QFR). Two options for how each residential aged care site provides financial data have been developed. These options will be discussed with each site to determine the most appropriate and achievable approach. The level of data collection burden will be carefully considered in this process. Option 1 is the preferred method as the data is more current. Where Option 1 is not possible, Option 2 will be applied. This option requires very little input from sites, drawing mainly on historical data. Option 2 is the less preferred option due to the time lag and age of the financial data that would be used for costing.

Table 1 summarises each of the options for financial data inputs.

**Table 1: Summary of approaches to financial data inputs**

Options for financial data input
<b>Option 1: QFR and ACFR</b>
<p>Under this option, the costing is based on data available from QFR and ACFR, noting that the ACFR data will be collected via a supplementary data collection.</p> <ul style="list-style-type: none"><li>• The most recent QFR (target QFR 4) would be used to provide:<ul style="list-style-type: none"><li>◦ Total labour costs by staff category (e.g. registered nurses, personal care staff, physiotherapist, occupational therapist, speech pathologists, podiatrist, dietetic care, other allied health, assistants in allied health, diversional/lifestyle/recreation/ activities Officers etc)</li><li>◦ Agency labour expenditures by staff category</li><li>◦ Worked hours by staff category</li><li>◦ Expenditures related to oral nutrition and supplements</li><li>◦ Expenditures related to catering</li></ul></li><li>• Supplementary data collection for expenses not available in the QFR, namely using the format of the ACFR data (as the 2023-24 ACFR data will not be available until January 2025):<ul style="list-style-type: none"><li>◦ Hotel expenses such as cleaning and laundry</li><li>◦ Accommodation expenses (including labour, depreciation and other accommodation expenditures)</li><li>◦ Administration expenses (including corporate recharge, administration staff and other expenditures)</li><li>◦ Infection prevention and COVID expenses</li></ul></li><li>• Both the QFR and the 2023-24 data collected will need to be scaled to the data collection period</li></ul>

## Options for financial data input

- Need to index data to reflect increases in expenditures, e.g. award increases, CPI etc
- Request for a breakdown of 2023-24 administrative expenditures (see Chapter 4)

## Option 2: ACFR

Under this option, the costing uses data already available in the SDMS:

- ACFR 2022-23 financial year, currently in the SDMS combined with the most recently available QFR data
- Both the QFR and the ACFR 2022-23 will need to be scaled to the data collection period
- Need to index data to reflect increases in expenditures, e.g. award increases, CPI etc
- Request for a breakdown of 2022-23 administrative expenses (see Chapter 4)

Financial data will be sourced based on the option that is discussed and agreed with each site.

The data will be cleansed before use in the costing process, which will include adjusting/scaling the data to align with the time collection period of one month (see Chapter 5).

## 3.2. Timing data collection

The staff time data collected using the wearable devices and beacons at each site will form the basis for allocating direct care staff expenses. This data will be captured by resident, by day and by staff type for each participating site.

The data will be monitored daily using the dashboards developed for this purpose. HealthConsult RACCC 2024 Relationship Managers (RRMs) will liaise with each site regularly during the data collection to discuss missing or anomalous data identified in the routine data extract process.

Data will be cleansed and checked for reasonableness prior to being included in the costing process.

## 3.3. Resident occupancy and absence data

Participating sites will provide data on whether a resident was at the site to enable cost data to be allocated appropriately. This resident occupancy data will identify:

- **Days when a resident is present in the facility:** for the purposes of costing, a resident will not be considered present if they are on leave, at a hospital or for other absences where there is an expected return. This definition drives the count of 'occupied bed days' to allocate expenses which are expected to occur only if the resident is present.
- **Days when a resident is 'registered'** and still taking up a bed whether they are physically present on site or not. This is so residents will receive a share of fixed/overhead cost types independent of whether they are physically present. During the data collection period, a resident will cease to be considered 'registered' if they pass



away or change homes. No cost allocation will occur beyond this point. This definition drives the count of 'registered bed days'.

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## 4. Allocation of administrative expenses

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This Chapter looks at the process for allocating administrative expenses.

### 4.1. Options for allocation of administrative expenses

The basis for allocating administrative expenses needs to consider the:

- best option to reflect the individual nuances of a site, i.e. fixed percentages across all sites as the basis of allocation, would likely result in poor quality cost outputs
- best option to reflect the pattern of resource consumption without being overly burdensome for sites to provide

Three options for allocating administrative expenses are available for RRM to discuss with each site to determine which option is the most appropriate and achievable for their site, considering the data collection burden. Option 1 is the preferred option where feasible.

- **Option 1: Bespoke basis of allocation:** Sites to identify the proportion of administrative expenses for each significant cost category (e.g. corporate recharge, management salaries, insurances etc) that best represents the split between care, hotel and accommodation core streams (collected via a template). This method recognises that there are multiple cost categories grouped within administrative expenses that may be more accurately allocated across the three core streams, with the ability to choose a different proportional split for each cost category (e.g. the basis on which management expenses are allocated may differ for quality and accreditation expenses etc). Additionally, it allows regional and rural sites to reflect the proportional split of administrative expenses that are most representative for them, which may differ from metropolitan sites due to their geographical location (e.g. transport and logistical expenses). RRM will discuss the basis of the splits that have been selected with each site to understand the rationale.
- **Option 2: Proportion of total expenditure in each stream:** Using the total expenditure, both labour and non-labour expenses for each core stream, as a proportion of the total expenditure across all three streams to allocate administrative expenses.

The allocation percentage will vary between sites based on the current split between care, hotel and accommodation expenditures. However, it assumes that all expenses within the administrative category should be apportioned relative to direct expenditure.

- **Option 3: Total staff in each stream:** Using the total staff full-time equivalent (FTE) for each core stream as a proportion of the staff (FTEs) across all three streams to allocate administrative expenses. As a labour-intensive industry, this option assumes that administrative resources are consumed in line with staff numbers.

The allocation percentage will vary between sites based on the number of staff.

However, this option assumes that all expenditures within administrative expenses should be apportioned in the ratio of FTE staff in each stream. Consideration will need to be given when there are outsourced services (e.g. catering) where the FTEs may not include these staff.

## 4.2. Additional collection of administrative expenses

Part of the RACCC 2024 will include a request for an additional breakdown of administrative expenses to a greater level of granularity. This is to provide one-off insight by sites of the make-up of administrative expenses to allow the development of a cost allocation basis that more closely aligns with resource consumption. The details requested from sites are provided in Appendix A.

# 5. Costing allocation method and business rules

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The Chapter outlines the costing steps, key assumptions, and business rules to be applied.

## 5.1. Costing process steps

The RACCC 2024 Project Team will use the cleansed data to undertake the costing process, which will require the following activities, as summarised in Figure 2.

1. Prorate the financial data to align with the data collection period (that is, prorate the quarterly data to a monthly data set that aligns with the data collection). This will be done through the use of occupied bed days, staffing worksheets, etc.
2. Review the age of the financial data being used to ascertain if indexation is required for wage increases, CPI etc., to reflect the timing relevant period of the staff time data.
3. Apply the developed costing structures to map from granular financial line items to cost buckets for allocation and reporting. The cost structures will consider the following layers:
  - The broadest level will be an expenditure stream which covers the three (3) core costing streams of Care, Hotel and Accommodation expenses.
  - The next level down will be a split between labour and non-labour cost categories for each stream.
  - The final layer is the cost bucket level, which is used for reporting purposes, e.g. Salaries and wages – RN, Salaries and Wages – Personal Care staff.

A mapping of the line items to cost buckets is included in Appendix B.

4. As advised by IHACPA, administration and other expenses will be considered overhead and allocated across the three core streams (Care, hotel and accommodation costs). The method adopted will be the option agreed upon with each site, as outlined in Chapter 4.

Note that this will mean Administration and other costs will not have their own cost buckets.

5. Develop the split for labour expenditures (for all staff types) to assign between:
  - **Direct care** expenses: time that direct care staff spend with residents on a one-to-one or group setting, captured by wearable devices; and

- **Unallocated care expenses:** the residual **expenditures** for direct care staff not captured by beacons, including when staff are capturing clinical notes at the nursing station, medicine and food preparation not in the vicinity of the resident, liaising with family members or other activities where the resident is not present.

This will be achieved by calculating the minutes from the beacons as a proportion of total care staff hours submitted in the financial data (by staff type).

**The exception is the subgroup participating in the indirect time study.** Indirect time captured at these sites will be allocated as outlined in Section 5.4.

6. Configure the products (allocation metrics) in PPM that are used to allocate expenses for each cost bucket. A range of products will be considered, including care minutes, occupied bed days, and total expenditure, with the product selected being as closely aligned with the drivers of that cost bucket as possible. See Section 1.
7. Apply products in PPM for each cost bucket to assign costs to residents per bed day.
8. Generate output resident file with financial costs allocated per Cost Bucket per resident per day.
9. Audit and review costed outputs, reconfigure as required and reprocess the costing as required.

The costing process will be iterative and may require multiple iterations before finalisation of the costed dataset.

Interim results from the costing process will be shared with IHACPA for participating sites.

## 5.2. Products by cost bucket

The products listed in Table 2 will be used to allocate expenses for each cost bucket in the RACCC 2024 study.

**Table 2: List of product cost buckets**

Cost type	Product	Rationale
Care staff (labour) – direct care time in individual or group setting	Care minutes	Time spent between residents and staff will be directly tracked through the wearable devices.
Care staff (labour) – unallocated time e.g. admin, notes, phoning families	Care minutes / occupied bed days***	See 5.3 below
Resident care expenses – medical supplies, incontinence supplies and other resident consumables	Occupied bed days	Allocated across all residents equally for when they are present in the home, reflecting the variable nature of this cost category.

Cost type	Product	Rationale
Other resident care expenses – workers compensation premiums, pastoral care, compliance and training, other direct care expense	Registered bed days	Allocated across all residents equally when regardless of whether they are present in the home, reflecting the more fixed nature of this cost category.
Hotel expenses– catering – labour	Occupied bed days*	Allocated across all residents equally for when they are present in the home, reflecting the variable nature of this cost category.
Hotel expenses– catering – non-labour)	Occupied bed days*	Allocated across all residents equally for when they are present in the home, reflecting the variable nature of this cost category.
Hotel expenses– laundry – labour (laundry)	Occupied bed days	Allocated across all residents equally when they are present in the home, reflecting the more fixed nature of this cost category.
Hotel expenses– other – labour (cleaning)	Registered bed days	Allocated across all residents equally when regardless of whether they are present in the home, reflecting the more fixed nature of this cost category.
Hotel expenses– other – non-labour (cleaning, laundry, motor vehicle, utilities)	Registered bed days	Allocated across all residents equally when regardless of whether they are present in the home, reflecting the more fixed nature of this cost category.
Accommodation expenses– labour	Registered bed days	Allocated across all residents equally when regardless of whether they are present in the home, reflecting the more fixed nature of this cost category.
Accommodation expenses– non-labour (depreciation, rent, interest, maintenance expenses)	Registered bed days	Allocated across all residents equally when regardless of whether they are present in the home, reflecting the more fixed nature of this cost category.

### 5.3. Calculation of unallocated care labour expenses

For unallocated labour expenses (i.e. those relating to clinical notes, administration etc), there are two options to be considered for how these can be assigned to residents:

- An even allocation across all residents i.e. based on occupied bed days
- An allocation in proportion to the direct care time i.e. based on care minutes

Further high-level observational activities to understand the appropriate approach to use will be undertaken during the RACCC 2024 to determine which approach is appropriate.

## 5.4. Application of data collected on indirect time (for the subset of sites participating in the indirect study)

An enhancement in the methodology for the current RACCC 2024 costing study is the collection of data on how indirect time is expanded in a subset of sites.

For the subset of sites participating in the indirect study, data collected:

- Supporting data collected through the indirect time template will be used to sense-check the data from beacons for these sites. Additionally, the data will be to support providing descriptive analysis of the type of activities undertaken
- Allocate the indirect time captured (by the devices) proportionally back across all the residents that that staff member interacted with that day
- Assess to see if there are trends or patterns in the data captured that can be extrapolated and applied to all participating sites

## 5.5. Business rules applied to the costing process

The costing process will consider the following business rules to ascertain if adjustments to the data are required for costing purposes.

1. Data will be prorated to account for misalignment between the financial data periods and the timing of the data collection period. The financial data (either GL, QFR and supplementary data or historical data) will need to be prorated to align with the 30-day electronic time data collection.
2. Data will be adjusted to account for residents who opt out of participating in the RACCC 2024 study. To align the total resident populations between the financial data period and the time and motion data collection period, we will adjust the financial data based on:
  - The average proportion of time for residents in the AN-AAC class for the residents who opt out (and, where possible, within the same unit)
  - Create a cost centre to capture residents who opt out
  - This allows the residents who opted out to pick up their fare share of fixed and overhead expenses

- Dead-end them to remove them from the RACCC 2024 (after collecting their fair share of all expenses)
3. For line items for which there is an expense in the financial data ledger but for which no time was captured (e.g., no allied health time was captured), adjustments will be made to allocate this line item appropriately. We will analyse the data that is being collected and consult with site sponsors to confirm workforce numbers and whether time can be imputed based on additional qualitative data analysis.
  4. For line items for which time is captured but no corresponding financial ledger data, we will investigate the missing financial data, and if appropriate, impute the additional expenditure based on the study's average or through discussions with site sponsors on the relevant award rates for these staff categories.

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## 6. Costing outputs

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The outputs of the costing process will be a costed dataset which will contain:

- Total costs allocated to each agreed cost bucket;
- Per included resident;
- Per resident bed day

This will be produced for each participating site and collated into an aggregated dataset covering all the sites in the RACCC 2024 study. A sample of the output dataset structure is provided in Table 3.

The final costed dataset will be used for further analysis and generating additional materials, including national cost weight tables.

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**Table 3: Sample output dataset structure**

Site	Resident	Date	S&W_RN	S&W_EN	...	...	Exp_Hotel_Catering
Amsterdam	Resident 1	1/10/204	50	29	...	...	5
Amsterdam	Resident 1	2/10/204	20	10	...	...	4
Amsterdam	Resident 1	3/10/204	44	12	...	...	4
Amsterdam	Resident 1	1/10/204	32	20	...	...	5
Amsterdam	Resident 1	2/10/204	16	5	...	...	2
...	...						

# Appendix A Administrative expenses

Table 4 shows the dissection of administrative expenses that are being requested from sites participating in the RACCC 2024 study. Where possible this data is being requested for the 2023–24, where this is not possible the 2022–23 breakdown will be requested.

**Table 4: Dissection of administrative expenses**

Administration expense items	Sub-category	Expense amount \$
Labour costs – Administration staff – Employees and Agency	Allocate Administration staff labour costs against the following business areas:	
	CEO, Executive staff	
	Business Support (ICT Management, HR, People & Culture, Finance and business services)	
	Quality & Risk/Compliance	
	Other – Sales, Marketing and business development	
Quality, compliance and training external costs – Administration staff	Accreditation expenses	
	Other quality, compliance and training external expenses	
Insurances	WorkCover premium	
	Professional Indemnity	
	Volunteers	
	Public liability	
	Rental properties	
	General contents	
	Building and contents	
	Motor vehicles	
Other administration costs	IT expenses	
	Consulting fees	
	Marketing	

Administration expense items	Sub-category	Expense amount \$
	Recruitment expenses	
	Accounting fees	
	Legal fees	
	Audit fees	
	Finance expenses	
	Safety management (OH&S)	
	Travel	
	Sundry expenses	
Corporate recharges	Corporate Recharges	
Taxes	Payroll Tax	
	FBT	

## Appendix B Cost buckets

Table 5 provides a list of the cost buckets that will be produced as outputs from the costing process.

**Table 5: List of cost buckets for the cost output**

Stream	Cost bucket	Type	Definition
Care	S&W_RN	Labour	<ul style="list-style-type: none"> <li>Registered Nurses</li> </ul>
Care	S&W_EN	Labour	<ul style="list-style-type: none"> <li>Enrolled and licensed nurses (registered with the NMBA)</li> </ul>
Care	S&W_Other	Labour	<ul style="list-style-type: none"> <li>Care Management staff</li> <li>Other Staff</li> </ul>
Care	S&W_PCS	Labour	<ul style="list-style-type: none"> <li>Personal Care staff / Other unlicensed nurses</li> </ul>
Care	S&W_PT	Labour	<ul style="list-style-type: none"> <li>Physiotherapists</li> </ul>
Care	S&W_OT	Labour	<ul style="list-style-type: none"> <li>Occupational therapist staff</li> </ul>
Care	S&W_SP	Labour	<ul style="list-style-type: none"> <li>Speech pathologists</li> </ul>
Care	S&W_Pod	Labour	<ul style="list-style-type: none"> <li>Podiatrists</li> </ul>
Care	S&W_Diet	Labour	<ul style="list-style-type: none"> <li>Dietetic care staff</li> </ul>
Care	S&W_OAH	Labour	<ul style="list-style-type: none"> <li>Other allied health staff</li> </ul>
Care	S&W_AHA	Labour	<ul style="list-style-type: none"> <li>Assistants in allied health staff</li> </ul>
Care	S&W_LO	Labour	<ul style="list-style-type: none"> <li>Diversional/Lifestyle/ Recreation/ Activities Officer</li> </ul>
Care	Exp_G&S_Incontinence	Non- Labour	<ul style="list-style-type: none"> <li>Incontinence Supplies</li> </ul>
Care	Exp_G&S_Medical	Non- Labour	<ul style="list-style-type: none"> <li>Medical supplies</li> </ul>

Stream	Cost bucket	Type	Definition
Care	Exp_G&S_Nutritional	Non- Labour	<ul style="list-style-type: none"> <li>Nutritional supplements</li> </ul>
Care	Exp_G&S_Other	Non- Labour	<ul style="list-style-type: none"> <li>Other resident services and consumables</li> </ul>
Care	Exp_Dir_Care_Other	Non- Labour	<ul style="list-style-type: none"> <li>Agency fees</li> <li>Workcover premium (care employee labour)</li> <li>Quality, compliance and training external costs (not Admin related)</li> <li>Other Direct Care Expenses</li> </ul>
Care	Exp_Dir_Care_Pastoral	Labour	<ul style="list-style-type: none"> <li>Chaplaincy / Pastoral Care</li> </ul>
Accommodation	Exp_Accomm_Other_Labour	Labour	<ul style="list-style-type: none"> <li>Salaries and superannuation paid to accommodation staff including</li> <li>employees, agency staff and contract staff</li> </ul>
Accommodation	Exp_Accomm_Maintenance	Non- Labour	<ul style="list-style-type: none"> <li>Maintenance related expenses</li> </ul>
Accommodation	Exp_Accomm_Other_NonLabour	Non- Labour	<ul style="list-style-type: none"> <li>Refurbishment expenses</li> <li>Rent – Buildings (not captured by AASB 16)</li> <li>Workcover Premium</li> <li>Other Accommodation expenses</li> </ul>
Accommodation	Exp_Depreciation	Non- Labour	<ul style="list-style-type: none"> <li>Depreciation – Buildings</li> <li>Depreciation – Other Assets</li> <li>Depreciation – Right of Use Assets</li> <li>Amortisation</li> </ul>
Hotel	Exp_Hotel_Catering_Labour	Labour	Catering related expenses – labour
Hotel	Exp_Hotel_Catering_NonLabour	Non- Labour	Catering related expenses – non-labour <ul style="list-style-type: none"> <li>Consumables</li> <li>Contracting (internal or outsourced)</li> </ul>
Hotel	Exp_Hotel_Cleaning_Labour	Labour	Cleaning related expenses – labour

Stream	Cost bucket	Type	Definition
Hotel	Exp_Hotel_Cleaning_NonLabour	Non- Labour	Cleaning related expenses – non-labour <ul style="list-style-type: none"> <li>• Consumables</li> <li>• Contracting (internal or outsourced)</li> </ul>
Hotel	Exp_Hotel_Laundry_Labour	Labour	Laundry related expenses – labour
Hotel	Exp_Hotel_Laundry_NonLabour	Non- Labour	Laundry related expenses – non-labour <ul style="list-style-type: none"> <li>• Consumables</li> <li>• Contracting (internal or outsourced)</li> </ul>
Hotel	Exp_Hotel_MV	Non- Labour	Motor vehicle related expenses
Hotel	Exp_Hotel_Utilities	Non- Labour	Utility expenses
Hotel	Exp_Hotel_Other	Non- Labour	Other Hotel related expenses
Accommodation	Exp_Interest_Accom	Non- Labour	Interest expenses lease liabilities Interest paid (RAD/Bond)
Accommodation	Exp_Tax_Accom	Non- Labour	Payroll tax (accommodation employee labour)
Care	Exp_Tax_Dir_Care	Non- Labour	Payroll Tax (client care employee labour)
Hotel	Exp_Tax_Hotel	Non- Labour	Payroll Tax (Hotel Services employee labour)



## Agenda – Internal Aged Care Working Group

**Date** Monday 21 October 2024

**Time** 11:00am – 12:00pm

**Location** Teams / Gamaragal

1. Pricing update and timelines
2. Costing update and timelines
3. Policy update and timelines
4. Projects update

Project	Timeline	Resources/requirements/notes	Implement
Payroll tax	N/A	<ul style="list-style-type: none"><li>Out-of-scope for pricing (all payroll tax costs excluded)</li></ul>	N/A

5. Governance
6. Other business



**From:** PERVAN, Michael  
**Sent:** Friday, 26 May 2023 1:36 PM  
**To:** HARTLAND, Nicholas; RICHARDSON, Mark  
**Cc:** [REDACTED]  
**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Thanks Nick and yes it does and we will follow that position, possibly with some evolution as we develop the 24/25 price.

Michael

**Prof. Michael Pervan**  
**Chief Executive Officer**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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*I respect and acknowledge the Traditional Owners of the many countries throughout Australia and recognise their continuing connection to land, sky, waters and culture. I pay my respect to elders today and those who walk in spirit.*

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**From:** HARTLAND, Nicholas [REDACTED]  
**Sent:** Friday, 26 May 2023 1:34 PM  
**To:** PERVAN, Michael [REDACTED]; RICHARDSON, Mark [REDACTED]  
**Cc:** [REDACTED]

**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

Thanks Mike

Just checking. My statements to providers has been that the commonwealth's policy has been that it does not provide funding specifically to compensate providers for state payroll taxes, but that either ACFI amounts or the AN-ACC price are adequate for them to meet their obligations to pay payroll tax if they have those obligations.

Does that make sense in your framework?

N

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**From:** PERVAN, Michael [REDACTED]  
**Sent:** Thursday, 25 May 2023 8:01 AM  
**To:** HARTLAND, Nicholas [REDACTED]; RICHARDSON, Mark [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

Thanks Nick

We are very happy with that being the Commonwealth position and we are equally happy to add that to our narrative.

It was raised first by [REDACTED], but as I understand it, has been a point of ongoing discussion by providers and peaks with the Department.

If you are happy with is adopting that position, the need for legal advice is spent.

Michael

**Prof. Michael Pervan**  
**Chief Executive Officer**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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**From:** HARTLAND, Nicholas [REDACTED]  
**Sent:** Thursday, 25 May 2023 7:57 AM  
**To:** PERVAN, Michael [REDACTED]; RICHARDSON, Mark [REDACTED]  
**Cc:** [REDACTED]

[REDACTED]  
**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

[REDACTED] The Commonwealth's policy (admittedly expressed indirectly by the abolition of compensation payments for payroll tax) is that it will not pay providers for the effect of state payroll taxes.

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**From:** PERVAN, Michael [REDACTED]  
**Sent:** Thursday, 25 May 2023 7:56 AM  
**To:** RICHARDSON, Mark [REDACTED]  
**Cc:** HARTLAND, Nicholas [REDACTED]; [REDACTED]  
[REDACTED]

**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

[REDACTED]

[REDACTED]

**Prof. Michael Pervan**  
**Chief Executive Officer**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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**From:** RICHARDSON, Mark [REDACTED]  
**Sent:** Thursday, 25 May 2023 7:47 AM  
**To:** PERVAN, Michael [REDACTED]  
**Cc:** HARTLAND, Nicholas [REDACTED]; [REDACTED]  
[REDACTED]

**Subject:** RE: Payroll Tax [SEC=OFFICIAL]

Hi Michael,

[REDACTED]

Regards,

**Mark Richardson**

Assistant Secretary  
Residential Care Funding Reform

Home and Residential Division | Ageing and Aged Care Group  
Australian Government Department of Health and Aged Care

P | [REDACTED] M | [REDACTED]



The Department of Health acknowledges the Traditional Custodians of Australia and their continued connection to land, sea and community. We pay our respects to all Elders past and present.

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**From:** PERVAN, Michael [REDACTED]  
**Sent:** Thursday, 25 May 2023 7:18 AM  
**To:** RICHARDSON, Mark [REDACTED]  
**Subject:** Payroll Tax [SEC=OFFICIAL]

Hi Mark

[REDACTED]

There are many reasons for not including PRT in the price. It is a state-based levy and applies variably across employers and jurisdictions. In some jurisdictions, "small" employers who are also PBIs do not pay the tax such that they would receive an unfair financial advantage over the large national providers.

The legal issue was put forward [REDACTED] that under the Constitution, the Commonwealth can no pay a State tax. [REDACTED] is currently overseas on holiday and not contactable so I cant follow up with him as to the precise section of the Con he was referring to, [REDACTED]  
[REDACTED] I am confident that he knows what he is talking about.

[REDACTED]

Michael

# Prof. Michael Pervan

Chief Executive Officer

Independent Health and Aged Care Pricing Authority



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[REDACTED]

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**From:** [REDACTED]  
**Sent:** Friday, 5 May 2023 1:37 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Payroll tax in RACPA [SEC=OFFICIAL]

Hi [REDACTED] and [REDACTED],

Based on some recent advice (still TBC) I believe payroll tax can not be subsidised Cwth Government. That's good, because we didn't explicitly add or make any adjustments for in it RACPA23. Can you please do 2 things for me:

1. Note that we need to remove any payroll tax for RACPA24 calcs
2. Payroll tax items were included when calculation expenditure proportions for RACPA23 (in the price calculation and in indexation weights). Can you please run a version of RACPA23 (internal only – our advice wont change) to see how it impacts the price if all payroll tax items are excluded.

Cheers,

[REDACTED]  
**Director, Pricing Development**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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**From:** [REDACTED]  
**Sent:** Thursday, 15 June 2023 10:40 AM  
**To:** [REDACTED]; VAN GOOL, Kees  
**Cc:** [REDACTED]; RICHARDSON, Mark; [REDACTED]  
**Subject:** RE: URGENT ADVICE required: Payroll tax [SEC=OFFICIAL]

Hi [REDACTED],

The snip you sent covers what is reported in the ACFR against 'direct care expenses'. The 243.10 was calculated as an uplift on the starting price which was implemented in October 2022 – so if payroll tax was not included in the October 2022 price, then neither is it included in the July 23 price. If it was in the October 22 price, then it would also be in the July 23 price. That is, we did not specifically add or remove any component to the price related to payroll tax. Apologies for the confusion.

Cheers,

[REDACTED]  
**Director, Pricing Development**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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**From:** [REDACTED]  
**Sent:** Thursday, 15 June 2023 10:31 AM  
**To:** VAN GOOL, Kees; [REDACTED]  
**Cc:** [REDACTED]; RICHARDSON, Mark; [REDACTED]  
**Subject:** URGENT ADVICE required: Payroll tax [SEC=OFFICIAL]  
**Importance:** High

Hi Kees, [REDACTED]

Mark has a webinar today on the FWC funding increases and we have received a number of questions seeking clarification on whether payroll tax was included in the AN-ACC price increase.


From emails between Michael P and Nick H (attached), it seems like it was not however your technical paper (snip attached) contradicts this.

Can you please confirm by 2pm if payroll tax was included in the AN-ACC price increase.

Thanks [REDACTED]

[REDACTED]

Director— Funding Reform Section



Home and Residential Division  
Residential Care Funding Reform Branch  
Data and Analysis Section  
Australian Government Department of Health  
T: [REDACTED] | E: [REDACTED]  
Location: [REDACTED]  
PO Box 9848, Canberra ACT 2601, Australia

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**From:** [REDACTED]  
**Sent:** Tuesday, 17 October 2023 8:24 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]; [REDACTED]  
**Subject:** RE: Interest and payroll tax [SEC=OFFICIAL]  
**Attachments:** RE: Payroll Tax [SEC=OFFICIAL]

Hi [REDACTED],  
My understanding is AN-ACC does not fund payroll tax.  
I've attached an email referencing this statement.  
Regards [REDACTED]

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**From:** [REDACTED]  
**Sent:** Tuesday, 17 October 2023 8:16 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Interest and payroll tax [SEC=OFFICIAL]

Hi [REDACTED],

We're currently working with the QFR to build out cost model for RACPA24 – we're just finalising our definition of costs that are in-scope for AN-ACC funding. The QFR includes expenses related to interest payments and payroll tax. I gut feel is that these are probably not in-scope for AN-ACC funding, although I am aware there used to be a subsidy to providers for payroll tax. Do you know if payroll tax and/or interest payments are strictly in or out of scope for government funding?

Cheers,

[REDACTED]  
**Director, Pricing Development**  
**Independent Health and Aged Care Pricing Authority**



[REDACTED]



[REDACTED]



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