

Evidence-based approach for pricing aged care

Ageing Australia

State Conferences 2025

Independent Health and Aged Care Pricing Authority

Acknowledgement of Country

We respect and acknowledge the Traditional Custodians of the lands on which we meet today and recognise their continuing connection to land, sky, waters and culture.

We pay our respect to Elders today and those who walk in spirit.

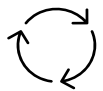
Independent Health and Aged Care Pricing Authority (IHACPA)



Independent government agency established under the *National Health Reform Act 2011* as part of the National Health Reform Agreement



Established to develop, refine and maintain systems as necessary to determine the national efficient price and national efficient cost for Australian public hospital services, for the implementation of national activity based funding



Delivery of transparent, independent, evidence-based advice, underpinned by broad stakeholder consultation, to the Australian Government

IHACPA's role in aged care

- Recommendations from the Royal Commission into Aged Care Quality and Safety included the establishment of an independent pricing authority for aged care services
- IHACPA's expanded functions have arisen from amendments to the:
 - *National Health Reform Act 2011*
 - *Aged Care Act 1997* (the new Aged Care Act comes into effect from 1 July 2025).
- IHACPA provides annual aged care pricing advice for residential aged care, residential respite care and in-home care
- IHACPA reviews data and undertakes consultation for the purpose of providing aged care pricing and costing advice
- IHACPA assesses and approves applications from residential aged care providers to charge Refundable Accommodation Deposits (RADs) higher than the maximum accommodation payment amount determined by the Minister.

Roles and responsibilities

Aged care pricing roles and responsibilities



IHACPA

Develops aged care pricing and costing advice



Australian Government

Sets aged care prices

Undertakes cost collections and public consultations. Analyses data and stakeholder feedback.

Develops the pricing framework and pricing advice that we provide to government.

Determines and announces the prices.

Minister for Health and Ageing

Supports program implementation and policy settings.

Department of Health, Disability and Ageing



Approach to the development of aged care pricing advice

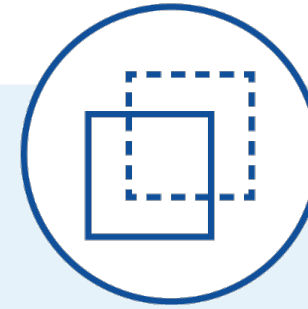
IHACPA's approach



Consultative

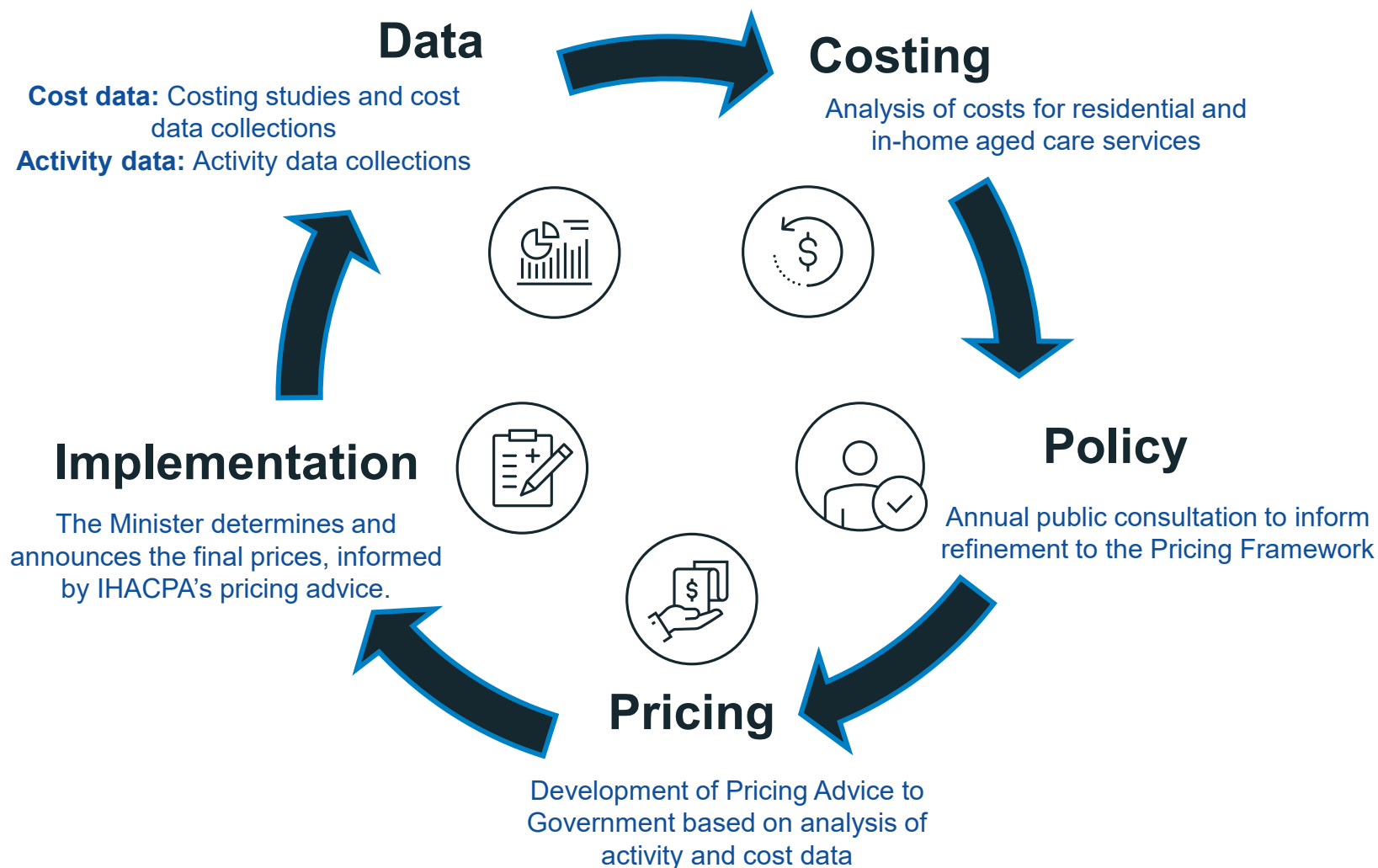


Evidence-
based



Transparent

Pricing, costing and policy factors

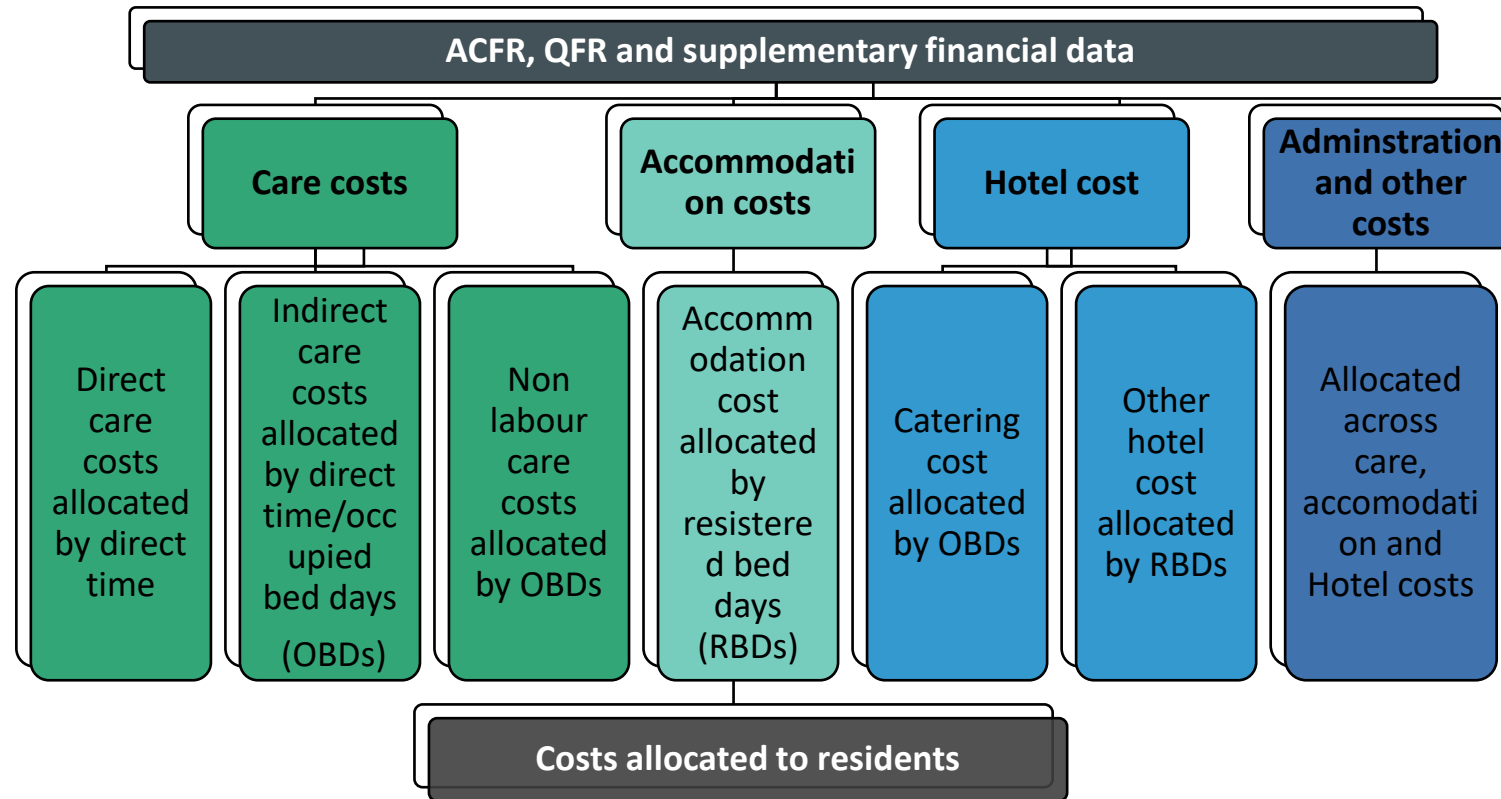


Costing

Why is costing important?

- IHACPA's pricing advice reflects the cost of providing care
- Costing is the process of understanding what and how much resource are utilised by residents /clients when receiving specific services
- Costing enables us to understand variations in the costs of delivery of care across different services and demographics
- Collection of costs enables IHACPA to create a broad data set showing differences across the sector, which informs the basis of its pricing advice

Example Costing Methodology



Aged Care Cost Collections

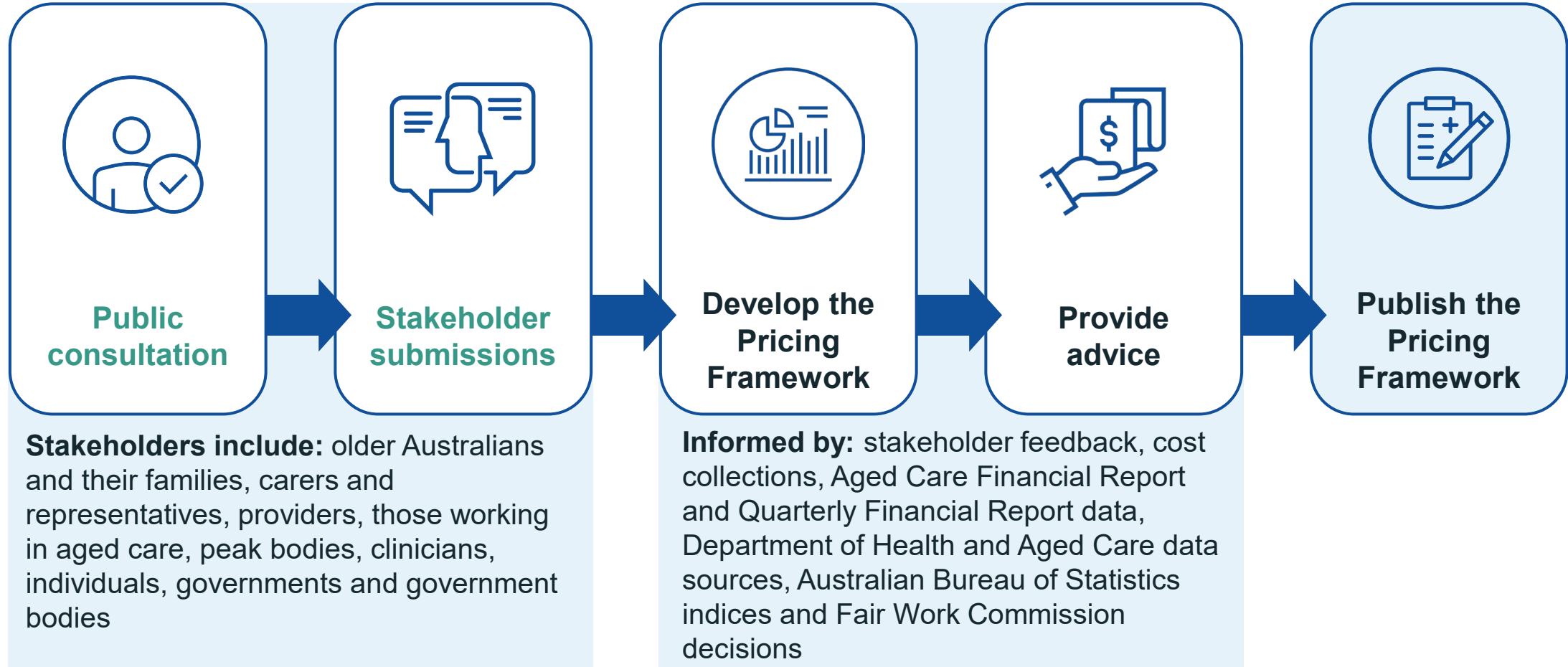
- IHACPA's costing studies and cost collections allow its pricing advice to reflect contemporary cost structures, changes in costs over time and care delivery models
- For residential aged care, IHACPA has undertaken the 2023 Residential Aged Care Costing Study and the 2024 Residential Aged Care Cost Collection, which will be built upon for 2025 as Stage 2 of that collection.
- For in-home aged care, IHACPA undertook the Support at Home Costing Study in 2023, the Support at Home Cost Collection in 2024 and is undertaking the Support at Home Live Data Collection in 2025.



**IHACPA's Aged Care
Cost Collections**

Consultation

Annual consultation processes



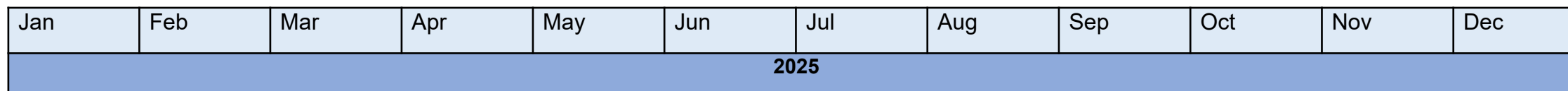
Timelines for cost collections and public consultations

June 2025 – July 2025

Public consultation on the Support at Home Pricing Framework

June 2025 – September 2025

Support at Home Cost Collection



April 2025 – July 2025

Stage 2 of the Residential Aged Care Cost Collection

July 2025 – August 2025

Public Consultation on the Residential Aged Care Pricing Framework

Pricing advice

Residential Aged Care Pricing Advice

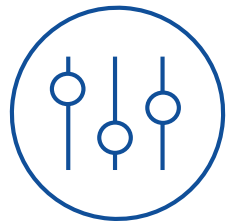
IHACPA provides annual advice to government on:



recommended AN-ACC price



recommended changes to the BCT categories



recommended AN-ACC price weights



estimated average gap between the costs of delivering required hotel services and specific types of revenue received

Australian National Aged Care Classification (AN-ACC)

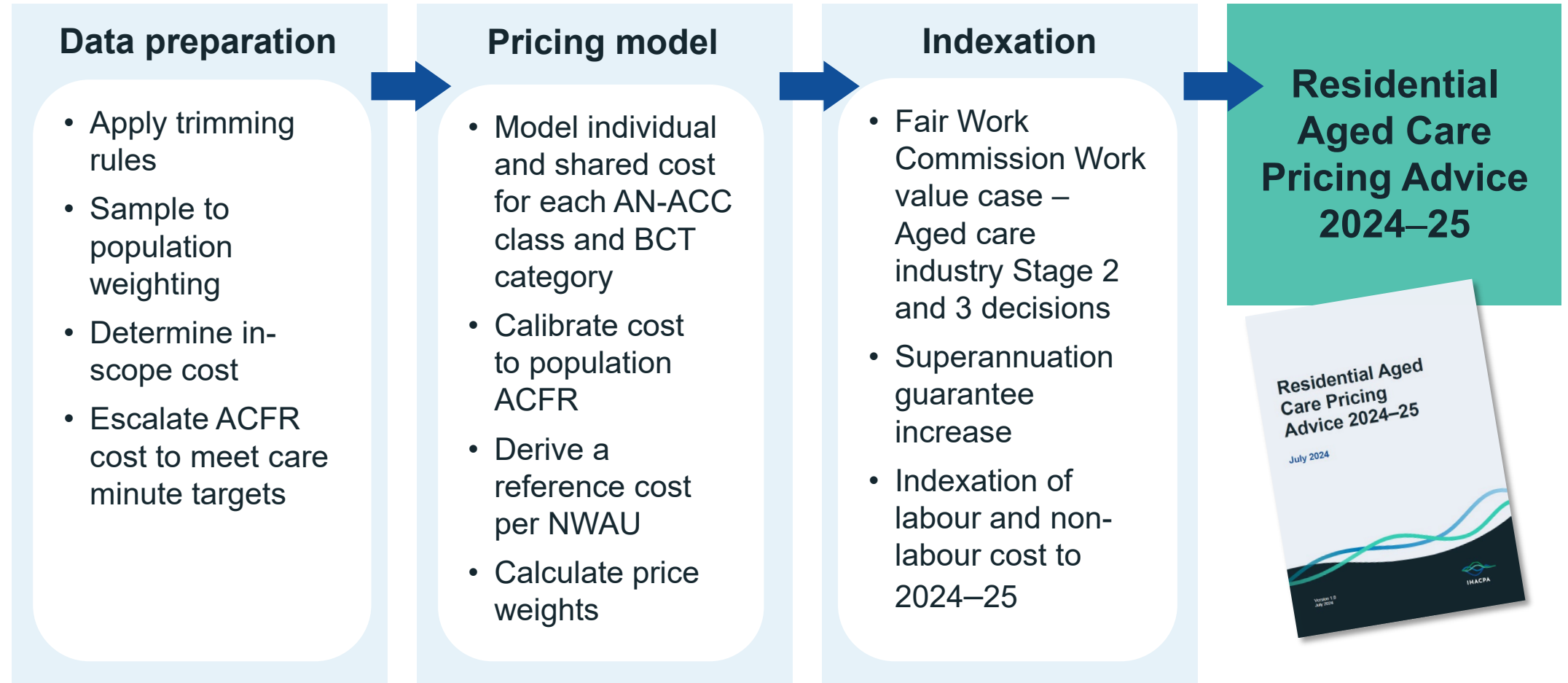
Funding model developed by University of Wollongong

Designed to provide equitable funding to approved residential aged care services, by linking subsidies to characteristics of services and residents

Three components:

- **Base Care Tariff (BCT) subsidy:** reflecting service characteristics (remoteness, Indigenous and homelessness specialisation). Designed to cover the cost of care that is shared by all residents in a service.
- **AN-ACC subsidy:** to cover the cost of meeting individual care needs. Residents are classified into one of the 13 permanent classes or 3 respite classes based on the functional, cognitive and physical characteristics that drive the costs of their care.
- **Initial entry adjustment payment:** Upfront payment when a care recipient enters permanent residential aged care.

Example of Pricing Methodology for Residential Aged Care Pricing Advice



Support at Home Aged Care Pricing Advice

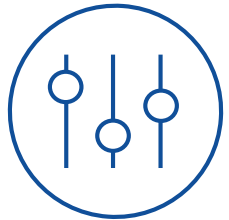
IHACPA provides annual advice to government on:



recommended prices of service list items



prices differentiated by time of delivery



recommended pricing adjustments, if any



all in-scope costs such as labour, transport, consumables and administration

The role of the Department of Health, Disability and Ageing



Prices for items on the Assistive Technology and Home Modifications Scheme List, noting the prescription of items provided by allied health professionals will be aligned to the allied health pricing on the Support at Home service list

Prices for nutrition items

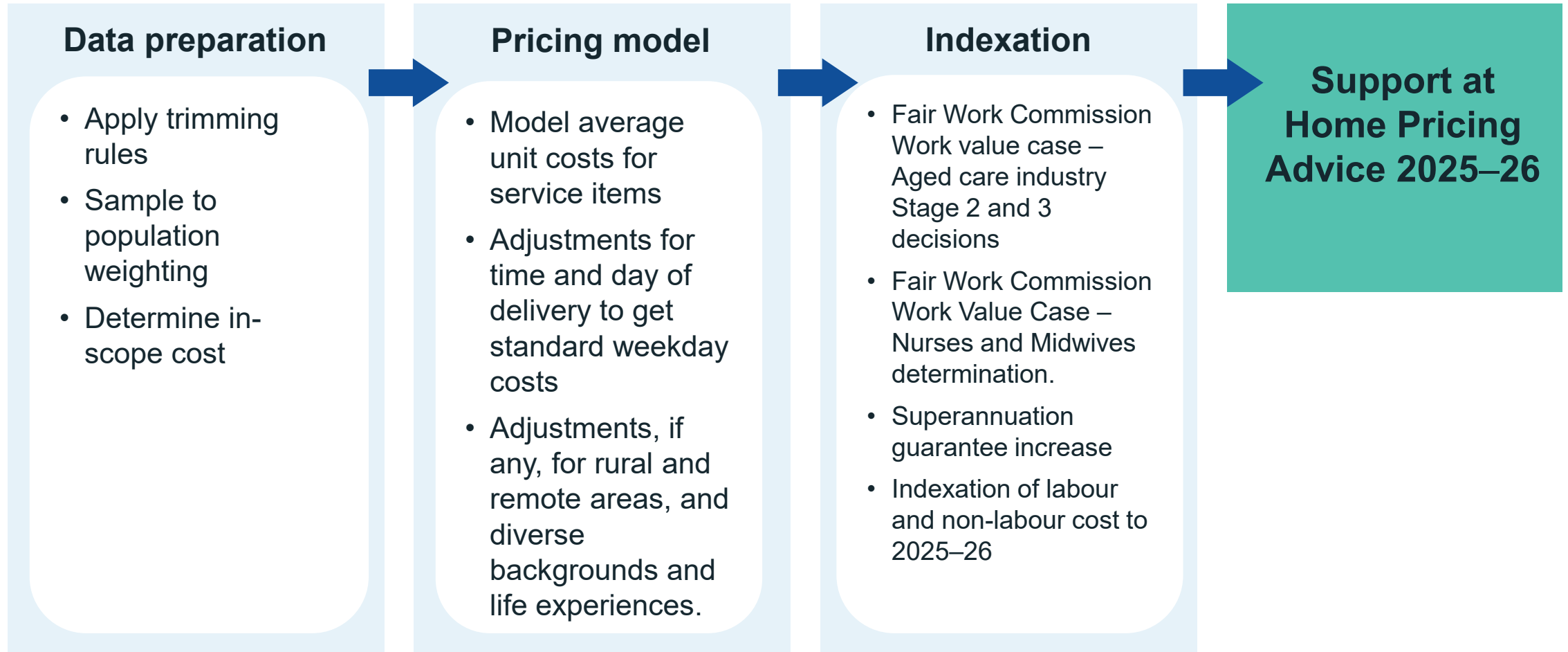
Prices for consumable items

Prices for indirect transport

Participant co-contributions

Amounts for thin market grants and/or other supplementary grants for providers

Example of Pricing Methodology for Support at Home Pricing Advice



Connect with us

Subscribe to our mailing list to receive updates on our work developing aged care pricing and costing advice.

Aged care mailing list topics

- ✉ Residential aged care and residential respite care
- ✉ Refundable Accommodation Deposit (RAD) and Extra Service Fee applications
- ✉ In-home aged care/Support at Home

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