



IHACPA

Aged Care Pricing Policy

September 2026



Acknowledgement of Country

We acknowledge the Traditional Owners and Custodians of Country throughout Australia, and recognise their continuing connection to land, sky, waters and culture. We pay our respects to them, and to Elders both past and present.

Artwork by Chern'ee Sutton

Aged Care Pricing Policy — Version 2.0 September 2026

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Acronyms and abbreviations

Abbreviations	Full term
ABS	Australian Bureau of Statistics
ACFR	Aged Care Financial Report
ACN	Aged Care Network
ACQSC	Aged Care Quality and Safety Commission
Aged Care Act	<i>Aged Care Act 2024</i>
AN-ACC	Australian National Aged Care Classification
BCT	Base care tariff
CHSP	Commonwealth Home Support Program
Department	Department of Health, Disability and Ageing
Government	Australian Government
IHACPA	Independent Health and Aged Care Pricing Authority
Minister	Australian Government Minister for Health and Ageing
MMM	Modified Monash Model
NHR Act	<i>National Health Reform Act 2011</i>
NWAU	National weighted activity unit
Pricing Authority	The governing body of IHACPA established under the <i>National Health Reform Act 2011</i>
QFR	Quarterly Financial Report
RACCC	Residential Aged Care Cost Collection
RACCS	Residential Aged Care Costing Study
SAHCC	Support at Home Cost Collection
This policy	Aged Care Pricing Policy

1. Executive summary

1.1 Background

The Independent Health and Aged Care Pricing Authority (IHACPA) is established under the [National Health Reform Act 2011](#) (NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions:

- a) to provide advice to each relevant Commonwealth Minister in relation to one or more aged care pricing or costing matters, including in relation to methods for calculating amounts of subsidies to be paid under the *Aged Care Act 2024*;
- b) such functions relating to aged care (if any) as are specified in regulations made for the purposes of this paragraph;
- c) to conduct, or arrange for the conduct of, one or more of the following activities for the purpose of performing a function mentioned in paragraph (a) or (b):
 - i. the collection and review of data;
 - ii. costing and other studies
 - iii. consultations;
- d) to do anything incidental to or conducive to the performance of the above functions.

As part of its residential aged care work program, IHACPA is required to provide the Australian Government with pricing and costing advice on the Australian National Aged Care Classification (AN-ACC) funding model for residential aged care and residential respite care.

As part of its in-home aged care work program, IHACPA is required to provide government with pricing and costing advice for services on the Support at Home service list.

The scope of IHACPA's pricing advice may change if directed by the Minister for Health and Ageing, through expectations setting correspondence.

The development of aged care pricing and costing advice represents outputs to the performance of the legislated functions of the Pricing Authority.

1.2 Purpose

IHACPA's development of aged care pricing and costing advice is independent, transparent, evidence-based and consultative, with a basis in meeting the standards of care and services required by government policy and legislation.

The purpose of the Aged Care Pricing Policy (this policy) is to outline the principles, consultative processes and key methodological settings that underpin IHACPA's development of aged care pricing and costing advice for residential aged care, residential respite care and in-home aged care.

This includes the development of pricing frameworks, cost collections, data inputs, costing methodologies, pricing model parameters, stabilisation and indexation processes that directly inform IHACPA's pricing advice.

This policy is to be read in conjunction with IHACPA's pricing advice and technical specifications.

This policy does not apply to IHACPA functions or advice that are separate from, or do not directly inform, aged care pricing advice. This includes advice on the estimated gap between the cost of delivering everyday living services and related revenue received by residential care homes.

IHACPA's function pertaining to approvals of higher maximum accommodation payment amounts is out-of-scope for this policy.

1.3 Review

The Pricing Authority and the Chief Executive Officer of IHACPA will review this policy, including associated documentation, annually or as required.

This policy was last reviewed in September 2026.

2. Overview

IHACPA's aged care pricing and costing advice is evidence-based, developed transparently and informed by the standards of care and services required under government policy and legislation. In addition, this advice aims to account for all costs and revenue incurred by providers for the delivery of in-scope residential aged care, residential respite care and in-home aged care services.

IHACPA's aged care pricing advice undergoes an independent validation and quality assurance process.

2.1 Residential Aged Care Pricing Advice

Australian National Aged Care Classification (AN-ACC) funding model

IHACPA's annual residential aged care and residential respite care pricing advice relates to the AN-ACC funding model, which provides funding through 3 components:

- base care tariff (BCT) subsidy – funding for services based on location and specialisation for remote Aboriginal and Torres Strait Islander peoples or people experiencing homelessness
- AN-ACC classification subsidy – funding based on the individual care needs of residents
- initial entry adjustment payment for transitioning a new permanent resident into a service.

The AN-ACC funding model applies price weights or national weighted activity units (NWAU) to the AN-ACC price, to reflect variations in the costs of delivering care based on characteristics of a service or individual residents. The AN-ACC price is the price of a unit of care, or 1.00 NWAU.

There are 13 AN-ACC classes for permanent residents, including a class for planned admissions for palliative care, and 3 AN-ACC classes for residential respite residents. There are an additional 3 default classes for people entering permanent or residential respite care prior to being assessed to an AN-ACC class.

The AN-ACC price is used to calculate the daily BCT and AN-ACC class subsidy per resident. The 3 funding model components and the AN-ACC price are set by government.

There are 7 BCT subsidy categories that are based on a service's Modified Monash Model (MMM) location and/or specialisation. Each BCT has a corresponding NWAU value that determines the amount of subsidy paid under each category.

IHACPA's residential aged care pricing advice

IHACPA's annual Residential Aged Care Pricing Advice to the government includes:

- the recommended AN-ACC price, which is a single price per NWAU
- recommended price weights for each AN-ACC class and respite class, measured in NWAU
- recommended price weights for each base care tariff category, measured in NWAU

Where requested by the Minister for Health and Ageing, IHACPA may provide advice to the government on other aspects of residential aged care pricing and costing.

Informed by IHACPA's pricing advice, the government is responsible for determining, implementing and announcing the AN-ACC price and components of the AN-ACC funding model.

2.2 Support at Home Pricing Advice

Support at Home service list

IHACPA provides annual pricing and costing advice to the minister for unit-based services on the [Support at Home service list](#). The service list outlines the services that participants can access under the Support at Home program to remain independent at home for longer.

The Support at Home program replaced the Home Care Packages Program and the Short-Term Restorative Care Programme from 1 November 2025. On 20 August 2026, the government announced that the Commonwealth Home Support Program (CHSP) will be extended to 30 June 2029. IHACPA will consider the transition of CHSP in future pricing advice.

IHACPA's pricing advice

IHACPA's Support at Home Pricing Advice includes:

- unit prices for each service on the Support at Home service list, differentiated by time of delivery (during normal working hours and outside normal working hours) and day of delivery (weekdays, Saturdays, Sundays or public holidays)
- delineation of unit prices for care management into clinical and non-clinical care management, as well as a separate combined price for team-based care management
- information about the confidence intervals around the unit prices and distribution of costs observed.

Where requested by the minister, IHACPA may also provide advice to the government on a range of other matters, as part of its pricing advice. This could include the identification of any recommended loadings for services delivered in rural or remote areas and for services delivered to Aboriginal and Torres Strait Islander peoples and other people with diverse backgrounds and life experiences as defined in the *Aged Care Act 2024*.

2.3 Aged care pricing frameworks

IHACPA's aged care pricing frameworks set out the policy context, pricing principles and key areas of stakeholder consultation that inform the development of aged care pricing and costing advice. Separate pricing frameworks are developed for residential aged care and Support at Home aged care services.

The pricing frameworks support transparency by outlining the matters IHACPA considers when developing pricing advice, including the objectives of aged care pricing, the role of consultation and potential future areas of policy or methodological development.

The pricing frameworks do not determine government funding settings. Rather, they inform IHACPA's development of independent pricing and costing advice to government, alongside available data, cost collections, technical modelling and relevant government policy and legislation.

2.4 Aged care pricing principles

When developing aged care pricing and costing advice, IHACPA balances a range of government policy objectives, including promoting quality of care and supporting improvements in the sustainability and efficiency of the aged care system over time.

IHACPA's aged care pricing principles are set out in the aged care pricing frameworks and outline the overarching policy objectives that guide the development of aged care pricing and costing advice.

The pricing principles do not have a hierarchy. They are used to inform decision making where IHACPA is required to exercise judgement in developing aged care pricing and costing advice.

The pricing principles can be reviewed and updated as part of the public consultations for the Pricing Framework for Australian Residential Aged Care Services and the Pricing Framework for Australian Support at Home Aged Care Services.

3. Development process and timeframes

To support the development of evidence-based pricing and costing advice, IHACPA undertakes annual cost collections, public consultations, policy development and data analysis.

Participation in IHACPA's annual [cost collections](#) and [public consultations](#) is the primary mechanism for stakeholders to provide input into the development of IHACPA's pricing frameworks and pricing advice, as well as considerations for future priorities in IHACPA's aged care work program.

3.1 Development cycles and indicative timeframes

The annual development cycles for pricing and costing advice for residential aged care and residential respite care (**Table 1**) and for in-home aged care (**Table 2**) are indicative, pending agreement with the Minister and Department of Health, Disability and Ageing. These timeframes have been developed to meet the needs of the department to inform budgetary processes and facilitate adequate sector notification.

Table 1: Annual deliverables and indicative timeframes for the development of residential aged care and residential respite care pricing and costing advice

Annual deliverable	Indicative timeframe
Data and information collection	
Receipt of validated Aged Care Financial Report (ACFR) data (from 3 years prior to the pricing year)	January
Receipt of validated Quarterly Financial Report (QFR) data	3 months after the end of each quarter
Receipt of Residential Aged Care Cost Collection (RACCC) data	July
Provision of the RACCC Final Report to the minister	September/October
Publication of the RACCC Final Report, subject to agreement from the minister	November
Policy development	
Completion of the public consultation process for the Pricing Framework for Australian Residential Aged Care Services	July/August
Provision of the draft pricing framework to the minister	November
Publication of the pricing framework, subject to agreement from the minister	April
Pricing advice development	
Commence development of the Residential Aged Care Pricing Advice	August
Provision of the first pricing advice to the minister	December

Provision of the second pricing advice to the minister	March
Provision of the third pricing advice to the minister, subject to timing of any relevant Fair Work Commission decisions	July/August

Table 2: Annual deliverables and indicative timeframes for the development of Support at Home aged care pricing and costing advice

Annual deliverable	Indicative timeframe
Data and information collection	
Receipt of validated ACFR data (from 3 years prior to the pricing year)	January
Receipt of validated QFR data	6-8 weeks after the end of each quarter
Receipt of Support at Home Cost Collection (SAHCC) data	July
Provide the SAHCC Final Report to the minister	August
Publication of SAHCC Final Report, subject to agreement from the minister	September
Policy development	
Complete the public consultation process for the Pricing Framework for Australian Support at Home Aged Care Services	March
Provide the pricing framework to the minister	November
Publish the pricing framework, subject to agreement from the minister	November
Pricing advice development	
Commence development of the Support at Home Pricing Advice	August
Provision of the pricing advice to the minister	November

3.2 Roles, responsibilities and governance

IHACPA works with government, departmental and other relevant stakeholders to support the development of robust, evidence-based and transparent pricing advice.

Australian Government and Minister for Health and Ageing

Informed by the advice and recommendations from IHACPA to the minister, the government is responsible for determining, setting and announcing the Australian National Aged Care Classification (AN-ACC) price and other components of the AN-ACC funding model for residential aged care and residential respite care, and unit prices for services on the Support at Home service list.

IHACPA's Pricing Authority

The Pricing Authority is the statutory board that provides IHACPA's advice to government in relation to pricing for public hospital and aged care services. Members bring significant and varied expertise

and are appointed by the minister and with the agreement of the Prime Minister and First Ministers of all states and territories.

IHACPA's Aged Care Advisory Committee

The Aged Care Advisory Committee (ACAC) is a statutory committee established under the NHR Act. ACAC provides objective advice to IHACPA on issues relevant to the development of aged care costing and pricing advice, including on IHACPA's cost collections, consultation papers and pricing frameworks, and inputs to the development of pricing advice.

IHACPA's Aged Care Network

The Aged Care Network (ACN) is a network of aged care professionals that supplements existing formal consultative processes for IHACPA's aged care work program. The ACN enables IHACPA to seek targeted expert feedback and input on a broad range of relevant aged care matters from members with specialised expertise.

Department of Health, Disability and Ageing

The [Department of Health, Disability and Ageing](#) is the system governor and is responsible for:

- the policy and administration of aged care subsidies, supplements and grants
- funding policy settings
- broader aged care funding
- system management and
- providing policy advice to government on these matters.

These responsibilities are outside the scope of IHACPA's pricing and costing advice.

Aged Care Quality and Safety Commission

The [Aged Care Quality and Safety Commission](#) (ACQSC) is the national aged care regulator and is responsible for upholding the rights of older people, registration of providers of aged care services and reviewing compliance against the standards required by government policy and legislation, and financial and prudential regulation. IHACPA checks that all participating providers in our cost collections meet the Aged Care Quality Standards and have no outstanding compliance notices at the time of data collection.

3.3 Governance process

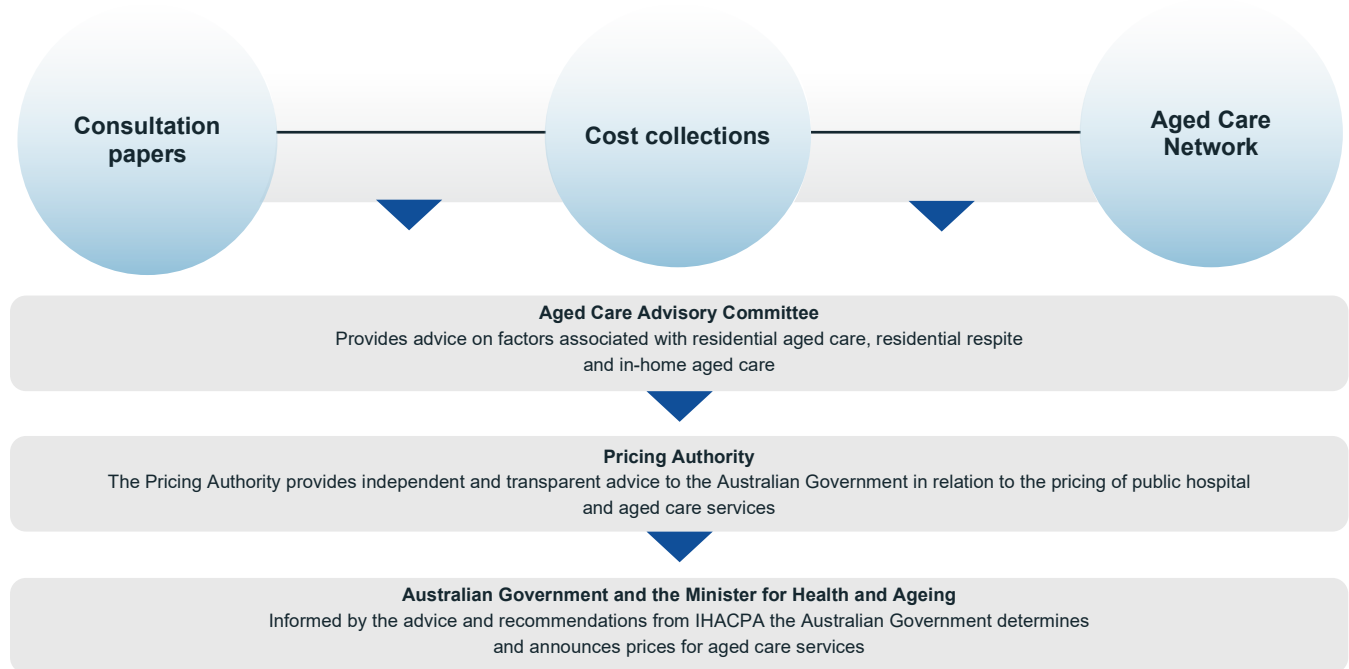
IHACPA's governance process supports the development of independent, evidence-based and transparent aged care pricing and costing advice. The process brings together cost collection findings, data analysis, policy development, stakeholder consultation and expert advice through IHACPA's advisory and decision-making structures.

The Aged Care Advisory Committee provides advice on key inputs to the development of pricing and costing advice, including cost collections, consultation papers, pricing frameworks and methodological considerations. This advice, together with technical analysis and stakeholder feedback, informs the development of advice for consideration by the Pricing Authority.

The Pricing Authority provides statutory oversight and approves IHACPA's advice to government. Government and ministerial decisions on funding settings, implementation and announcements remain separate from IHACPA's independent advisory role.

Figure 1 demonstrates the governance process for developing aged care pricing and costing advice, including IHACPA's committee and Board structure, consultation inputs, and engagement with the department, government and minister.

Figure 1: Governance process



4. Methodological overview

4.1 Data sources

To support the development of evidence-based pricing advice and obtain resident and participant level data, IHACPA undertakes cost collections from residential aged care and in-home aged care providers. This supplements data collected from the Aged Care Financial Report (ACFR) which only captures aggregate expenditure at the facility level.

In developing aged care pricing and costing advice, IHACPA utilises a number of data sources. The following data sources are collected by or provided to IHACPA:

- Residential Aged Care Cost Collections (RACCC)
- Support at Home Cost Collections (SAHCC)
- [ACFR](#)
- [Quarterly Financial Report \(QFR\)](#)
- Australian National Aged Care Classification (AN-ACC) assessment data
- Services Australia AN-ACC claims data
- Aged Care Wage Estimation Tool
- [Aged Care Provider Workforce Surveys](#)
- Aged Care Data Warehouse extracts
- Government Provider Management System service lists
- Stewart Brown Aged Care Administration Allocation methodology.

IHACPA also relies on a number of publicly available data sources, including:

- Aged Care Quality and Safety Commission (ACQSC) [non-compliance decision logs](#)
- [Star ratings quarterly data extracts](#)
- [Care minutes – Guide for registered providers of residential care homes](#)
- [24/7 registered nurse responsibility – Guide for registered providers of residential care homes](#)
- [Schedule of Subsidies and Supplements for Residential and Transition Care](#)
- Australian Institute of Health and Welfare GEN [Aged care service lists](#)
- Australian Bureau of Statistics (ABS) [Consumer Price Index series](#)
- ABS [Wage Price Index series](#)
- ABS [Employee Earnings and Hours](#)
- ABS [Income and Work: Census](#)
- Reserve Bank of Australia [Statements on Monetary Policy](#)
- University of Wollongong [Resource Utilisation and Classification Study](#)
- Fair Work Ombudsman [Minimum award wages](#)
- Fair Work Commission [Annual wage reviews](#)
- Fair Work Commission Work value case – [Aged care industry](#) decisions
- Fair Work Commission Work value case – [Nurses and midwives](#) decisions

- Fair Work Commission [Gender-based undervaluation – priority awards review](#) decisions.

Cost Collections

IHACPA collects data from aged care services across residential aged care and in-home aged care, to develop an understanding of the resource use associated with delivering aged care services.

IHACPA's cost collections aim to gather activity and cost data from a wide range of aged care providers with different geographic, demographic, and individual characteristics to collect a sample that represents people accessing aged care services and provider costs nationally.

IHACPA relies on multiple data sources to complete its cost collections, across 3 key areas:

- the cost of resources to deliver aged care services
- the types of services delivered to older people accessing aged care services
- administrative and clinical information about older people and service providers.

IHACPA continually refines and improves the specifications under which data and information are collected to develop its pricing advice, by increasing the sample size and incorporating additional data sources and collection methods so cost collections become more representative over time.

4.2 Data preparation

The methodologies and processes for routine data preparation are outlined below and in the technical specifications for the aged care pricing advice of the relevant pricing year.

Data trimming

Trimming rules are applied to the cost and activity data from IHACPA's cost collections and the ACFR to prepare the data for modelling. The trimming rules identify records that have a high likelihood of error and remove these from the sample. This may include:

- where key information is missing (for example, missing resident AN-ACC classes)
- where services have not been compliant with legislative or regulatory standards (for example, an overall Star Rating of 1 or 2 by the ACQSC)
- extreme cost outliers
- where there is very low volume for specific cohorts resulting in data that is vulnerable to high volatility.

In-scope costs and adjustments

Residential Aged Care Pricing Advice

IHACPA's pricing advice is intended to cover the cost of care incurred by registered providers of residential aged care services. The elements that are in-scope for the AN-ACC funding model are set out in the Aged Care Rules. This includes administrative costs directly related to care.

All residential clinical care, non-clinical care, and administration costs in the costed data set and ACFR, excluding payroll tax, are considered in-scope for IHACPA's pricing advice.

Payroll tax is excluded in line with government policy that state-based taxes are not taken into consideration in calculating national funding models. Administration costs reported in the ACFR, excluding payroll tax, are apportioned between care, everyday living, and accommodation expense streams for each service. The portion of administration costs allocated to care are considered in-scope for modelling costs funded under AN-ACC.

IHACPA applies a series of adjustments to the costed data set and ACFR to account for known cost increases and costs covered by other funding sources. These include, but are not limited to:

- adjusting registered nurse, enrolled nurse and personal care worker labour costs to reflect the cost of meeting the care minute responsibility
- excluding registered nurse labour costs covered by the 24/7 registered nurse supplement
- excluding costs covered by the oxygen, enteral feeding and veterans' supplement

IHACPA's cost-based approach to pricing does not incorporate provider profit margins or consider the financial viability of the aged care sector. This remains the responsibility of the Department of Health, Disability and Ageing as the System Governor.

Support at Home Pricing Advice

Recommended unit prices for services on the Support at Home service list are calculated using data collected through IHACPA's cost collections.

All care expenses and administration and support expenses except for payroll tax are considered in-scope for IHACPA's pricing advice.

4.3 Additional considerations for data preparation

Issues with data quality, completeness and representativeness

Issues with data quality, completeness and representativeness may have an impact on the stability of the pricing model and impact growth calculations. To minimise the impact, IHACPA undertakes data trimming, so as to not distort the modelling outcomes. Treatment of other issues with data quality, completeness and representativeness will be assessed on an ad-hoc basis.

IHACPA's cost collections only cover a sample of the total population of aged care providers and residents or participants. To account for potential bias in sample selection and ensure the sample is representative of the population, IHACPA applies sample to population weights. Weights are calculated to align the representativeness of the sample across several categories such as Modified Monash category, jurisdiction service or provider size, provider type, specialisation and occupancy rate.

Issues of national impact

IHACPA may be required to address the impact of activity and cost data volatility arising from events or issues that have a national impact, for example, the impact of coronavirus disease 2019 (COVID-19). Whilst these impacts may be transitory or enduring, IHACPA will be guided by this policy, government policy and legislation in considering the impact on developing pricing advice and developing any corrective measures.

Data preparation to account for significant change in government policy or legislation

IHACPA notes that changes in government policy or legislation may have an impact on the development of pricing advice. Where the effects of these changes are known and quantifiable, IHACPA will consider incorporation into its pricing methodology. Where the effects of these changes are unknown, IHACPA will need to rely on available activity and cost data to reflect any changes into its pricing advice, however there may be a time delay before they appear in the data.

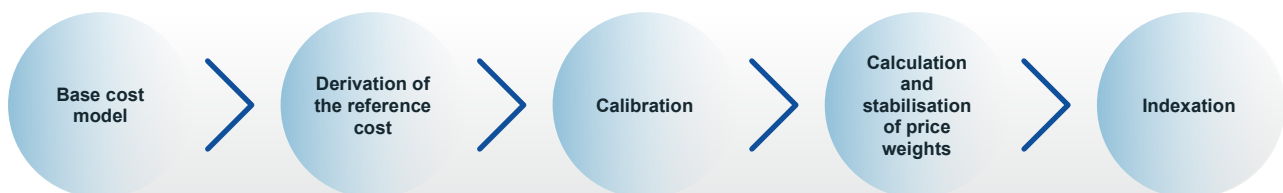
4.4 Pricing model development

Residential Aged Care Pricing Advice

The steps in the development of the pricing model for residential aged care and residential respite care are as follows:

- 1) **base cost model**, to determine the relative cost of care for each AN-ACC class and BCT category
- 2) **derivation of the reference cost**, which is the average cost per NWAU
- 3) **calibration** of the cost model to the ACFR
- 4) **calculation and stabilisation of price weights**, limiting the movement in any given AN-ACC class or BCT category compared to the previous year's price weight
- 5) **indexation**, to inflate the modelled reference cost to a level reflective of the estimated cost of delivering residential aged care services in the relevant pricing year.

Figure 2: Residential aged care pricing model development



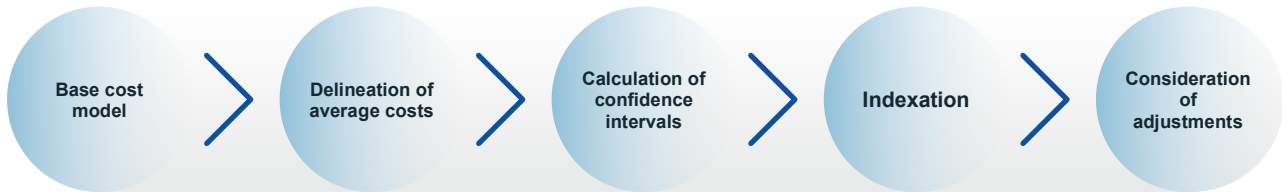
Support at Home Pricing Advice

The steps in the development of the pricing model for in-home aged care are as follows:

- 1) **base cost model**, to determine the average unit cost for each service on the Support at Home service list
- 2) **delineation of average costs** into the costs for services delivered in standard business hours, out of hours, on Saturdays, Sundays and public holidays
- 3) **calculation of confidence intervals** around unit prices and distribution of costs observed
- 4) **indexation**, to inflate the modelled unit costs to estimate the cost of delivering in-home aged care services in the pricing year

- 5) **consideration of adjustments** to account for cost variations associated with the cost of delivering in-home aged care services for specific population groups or in rural and remote locations.

Figure 3: Support at Home pricing model development



Further information about stabilisation is provided at Chapter 5 and further information about indexation is provided at Chapter 6.

5. Stabilisation

IHACPA's pricing advice for residential aged care, residential respite care and Support at Home aged care will consider the year-on-year stability of price weights and unit prices, including consideration of data preparation to account for data quality, completeness and representativeness.

5.1 Purpose

There is inherent variability in the data sets that IHACPA uses for the purposes of developing aged care pricing advice.

Ensuring year-on-year stability in the price weights and unit prices developed as part of IHACPA's pricing advice is necessary to ensure funding stability and predictability for providers of residential aged care, residential respite care and in-home aged care services.

IHACPA adopts methods to stabilise the data from the previous years so that the impact of statistical variation or 'noise' on the pricing model can be minimised, whilst ensuring that it accurately reflects changes in government policy and legislation and provider practices in the aged care sector.

5.2 Principles

Pricing Principles

As outlined in IHACPA's aged care pricing frameworks, the development of pricing and costing advice is underpinned by the pricing principles. These principles are used to inform decision making where IHACPA is required to exercise judgement as part of its work. Any principles pertaining to stability have been informed through consultation and indicate that pricing should aim to achieve stability in the aged care sector over time.

Pricing model guidelines

IHACPA will promote pricing stability and predictability in its aged care pricing advice through satisfying 3 key guidelines:

1. **Be sensitive to changes in activity, cost or data lags:** For the stabilisation process it is important to ensure that only observed changes in data related to activity or cost variations in the aged care sector are reflected in the pricing models. Pricing changes over time are also managed to minimise provider exposure to excessive financial risk by providing greater certainty over the amount that funding may change year-on-year. The stabilisation process also acknowledges the time lag between the year of data used and the pricing year.
2. **Minimise statistical variation:** In analysing data variance to develop pricing advice, IHACPA will default to a 95% level of confidence when determining statistical significance where a statistical approach is appropriate. IHACPA currently only applies this approach to

in-home aged care pricing to determine if there is a statistically significant difference in the price of different service types.

3. **Represent trend growth and equivalence for pricing:** It is important for pricing advice to be responsive to major events that occur within the aged care sector, where changes in data or costs can be quantified and validated. Where the year of data may not be representative of trend growth due to known cost increases (for example, changes to care minute targets) or unexpected events (for example, the impact of COVID-19) for the year of pricing, IHACPA will consider this in the development of its pricing advice.

5.3 Methodology

For residential aged care, price weight movements for Australian National Aged Care Classification (AN-ACC) classes are restricted to be $\pm 20\%$ of the previous year's price weight. Price weight movements for BCT categories are restricted to be $\pm 5\%$ of the previous year's price weight. Price weights and unit prices are stabilised using an iterative process, whereby after each iteration the unstabilised price weights and unit prices are recalibrated to ensure that the total modelled cost matched the total actual cost.

For in-home aged care, movements in cost parameters for the unit prices on the Support at Home service list will be considered in comparison to the previous year's price after adjusting for inflation and any relevant Fair Work Commission decisions. IHACPA will consider implementing stabilisation principles from the second year of price cap implementation, whereby data can then be compared between both years.

5.4 Exemptions

Circumstances where other stabilisation processes may be required, such as retaining the existing price weights, will be considered by IHACPA on the basis of available activity and cost data.

Indications may include, but are not limited to:

- material issues with data quality, completeness or representativeness, where the sampling of data available is not representative of historical or national trends
- impacts on the aged care sector, where the variation in activity and cost data will not or is unlikely to be equivalent in the year of pricing
- impacts on the aged care sector, where the application of the stability thresholds outlined in this policy will adversely impact sector funding predictability.

These exemptions may not be applied where there are significant changes in price weights and unit prices due to:

- necessary changes in the pricing model arising from changes in government policy or legislation
- changes that are likely to result in a perverse incentive or unacceptable adverse outcomes in the pricing year if stabilisation were applied.

Potential exemptions to this policy will be considered based on the best-available evidence, with the expectation that exemptions will be rare. Assessments will be made on a case-by-case basis with

regard to the specific circumstances impacting the potential requirement for the exemption as well as IHACPA's pricing principles and other relevant policies.

6. Indexation methodology

As IHACPA's development of pricing advice is based on activity and cost data from prior to the pricing year, this data is adjusted and indexed to account for cost increases between the years the data were observed and the year of pricing through IHACPA's indexation methodology.

The key aspects considered by IHACPA in the indexation methodology include:

- Fair Work Commission decisions relating to the aged care sector (for example, increases to the minimum wages of eligible aged care employees)
- superannuation guarantee increases, as stipulated by the *Superannuation Guarantee (Administration) Act 1992*
- indexation of cost data to account for underlying price inflation, using a range of ABS and other government indexes relevant to the aged care sector
- other considerations arising from changes in government policy and legislation (for example, changes to the Australian National Aged Care Classification pricing cycle).

The indexation methodology will be reviewed and improved over time to reflect maturing data collections, including Aged Care Financial Report and Quarterly Financial Report data. This will facilitate better accounting of cost growth over time.



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