

The development of costing and pricing advice in the aged care sector

Independent Health and Aged Care Pricing Authority

Prof Michael Pervan
Chief Executive Officer

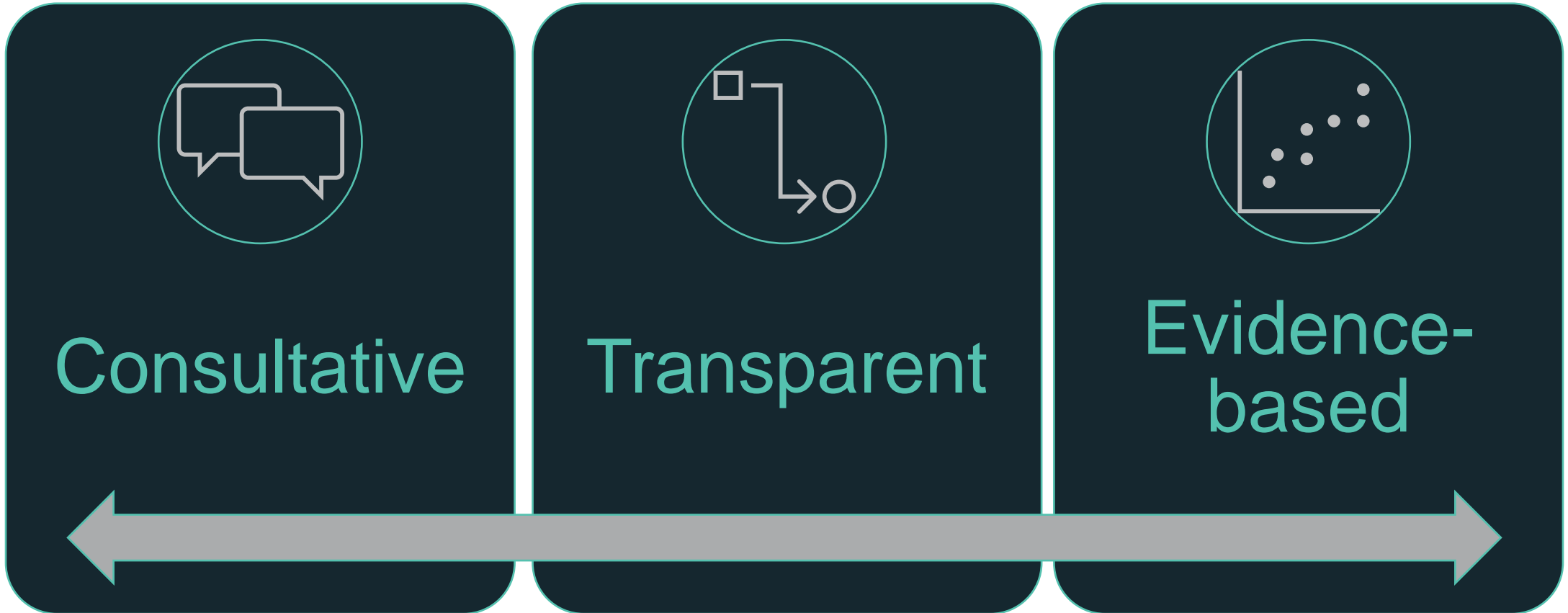
Outline

- Background on IHACPA
- Australian National Aged Care Classification System (AN-ACC)
- The role of IHACPA
 - Residential Aged Care Pricing Advice 2023
 - Annual advice
- Development of pricing advice for Support at Home program
- IHACPA's role in approval of RADs and extra service fee increases
- Questions

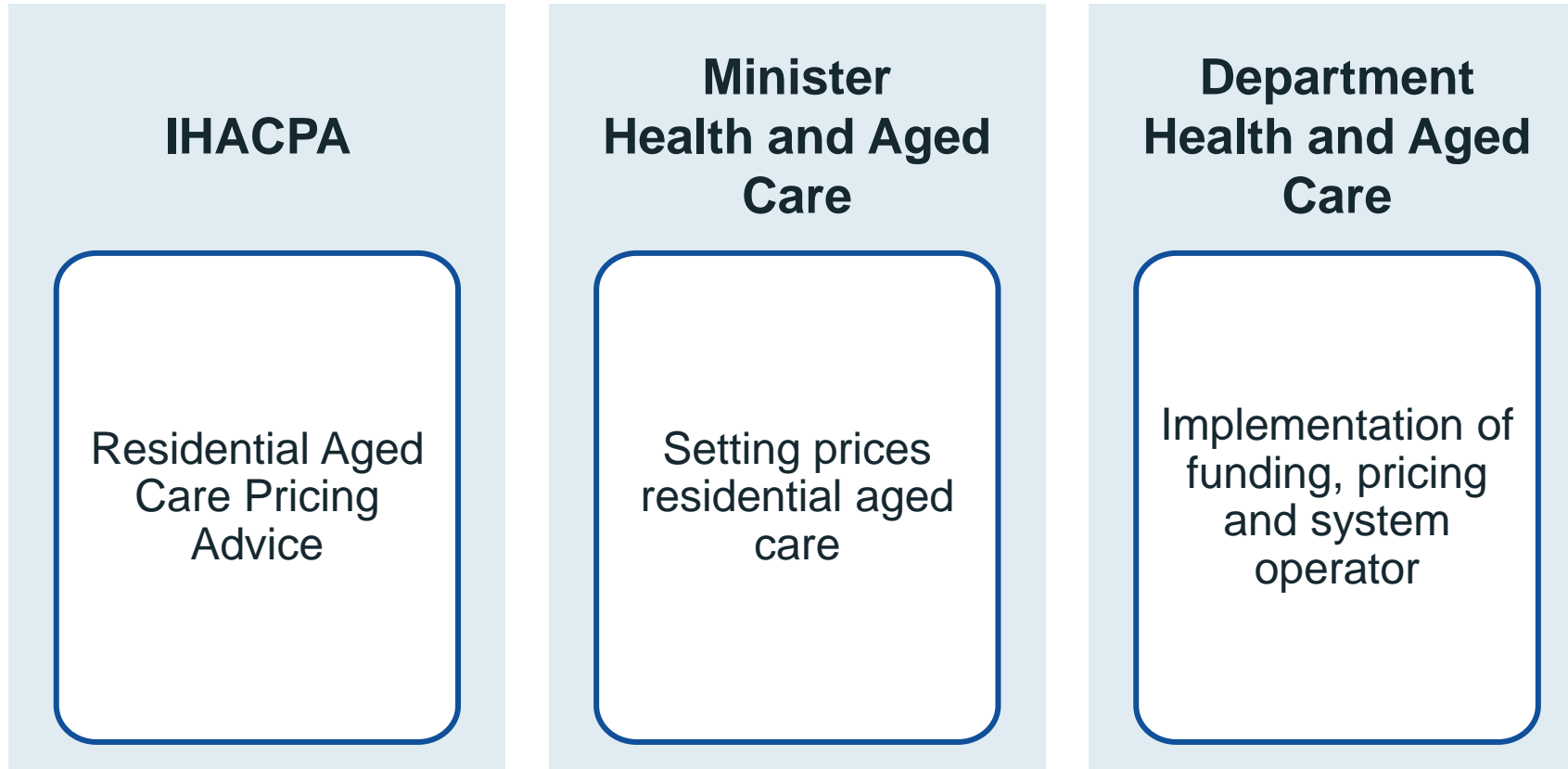
About IHACPA

- Established as the Independent Hospital Pricing Authority (IHPA) under the 2011 National Health Reform Act
- National Efficient Price (NEP) and National Efficient Cost (NEC)
 - Drives Commonwealth Government contribution of public hospital funding
- Functions:
 - Develop and refine classifications for hospital outputs
 - Set data standards and collect data on hospital costs and activity
 - Development of pricing framework and policy
 - Safety and quality penalties
 - Develop pricing model to determine NEP and NEC annually
- Governed by the Pricing Authority chaired by Mr David Tune AO PSM
- From August 2022, expanded its role to include providing aged care pricing advice and renamed the Independent Health and Aged Care Pricing Authority

IHACPA's approach



Roles and Responsibilities



IHACPA and residential aged care pricing advice

AN-ACC: The components



Assessment

- Multiple tools, independently assessed



Classification

- 13 classes across 3 branches



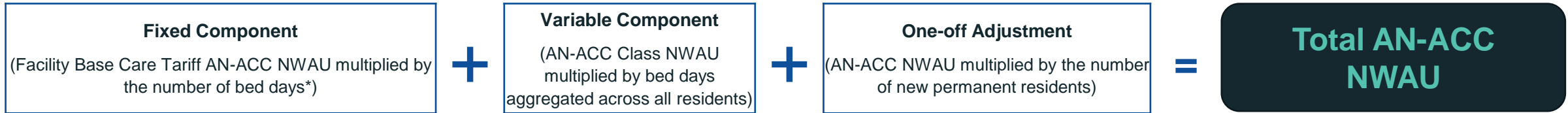
Funding

- Calculation based on NWAU



Respite

- Aligned to AN-ACC with different weightings



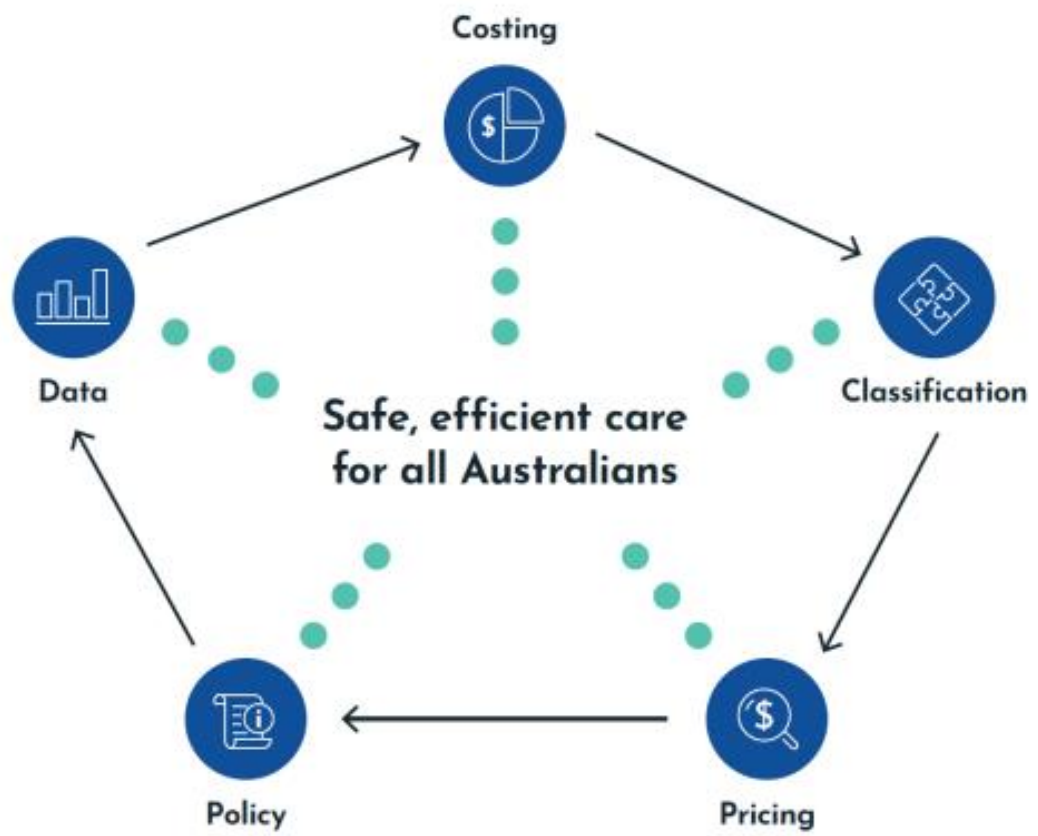
BCT Eligibility	AN-ACC NWAU
Standard MMM 1–4	0.49
Standard MMM 5	0.55
Specialised Homeless	0.92
Standard MMM 6–7, <30 beds	0.68
Standard MMM 6–7, 30+ beds	0.68 for first 29 beds, 0.52 for beds 30+
Specialised Indigenous MMM 6	0.78
Specialised Indigenous MMM 7	1.80

Class	AN-ACC NWAU
1	1.00
2	0.19
3	0.31
4	0.21
5	0.37
6	0.35
7	0.49
8	0.54
9	0.54
10	0.87
11	0.83
12	0.81
13	1.00
98 (Default)	1.00
99 (Default)	0.54
100 (Default)	0.404
101 (Respite)	0.304
102 (Respite)	0.404
103 (Respite)	0.864

Description	AN-ACC NWAU
New permanent entrant adjustment funding	5.28
New respite entrant adjustment funding	0.00

Respite and default AN-ACC classes

The costing and pricing cycle



Towards a residential aged care pricing framework

- AN-ACC as a funding model looks to fund the cost of care at the required level of output
- Developing a 'price' requires evidence and accurate activity and costing data
- Costing studies are currently being conducted throughout the country
 - Empirical studies including data collections at a representative sample of facilities to measure the resource use and costs of care
- Initial pricing advice utilised an interim methodology as AN-ACC implemented 1 October 2022

Interim methodology

- Starting point:
 - Price weights for AN-ACC classes from the RUCS study
 - Commonwealth October 2022 starting price of \$216.80 for a price weight = 1 per bed day.
- Then update starting price to reflect:
 - Inflation
 - Wage changes
 - Policy changes
- Primary data source:
 - Aged Care Financial Report
 - Australian Bureau of Statistics wage and inflation indexes
 - Fair Work Commission Interim Decisions

Interim methodology

Model step	Total	Cumulative percentage change
Starting price	\$216.80	
Less \$10 BDF supplement – to be paid separately	\$206.80	
Inflation and wage adjustment 2022-23	\$213.30	3.10%
FWC decision on aged care worker wage increases	\$236.06	14.10%
Superannuation Guarantee increase	\$237.01	14.60%
Indexation to 2023-24	\$243.10	17.6%



Annual approach to developing aged care costing and pricing advice

Policy







The Pricing Framework is the key policy document that underpins IHACPA's pricing advice.



The Consultation Paper

The *Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25* outlines IHACPA's proposed approach for developing costing and pricing advice and focuses on a range of specific topics including topics for future consideration.

2023 consultation topics include:

-  feedback on the pricing principles
-  developing AN-ACC funding model classes
-  costs associated with stages of care and respite care
-  indexation
-  recommended price adjustments & future adjustments for safety and quality
-  priorities for future developments and areas of work.

Residential Aged Care Costing Studies

Pilot Costing Study 2021-22

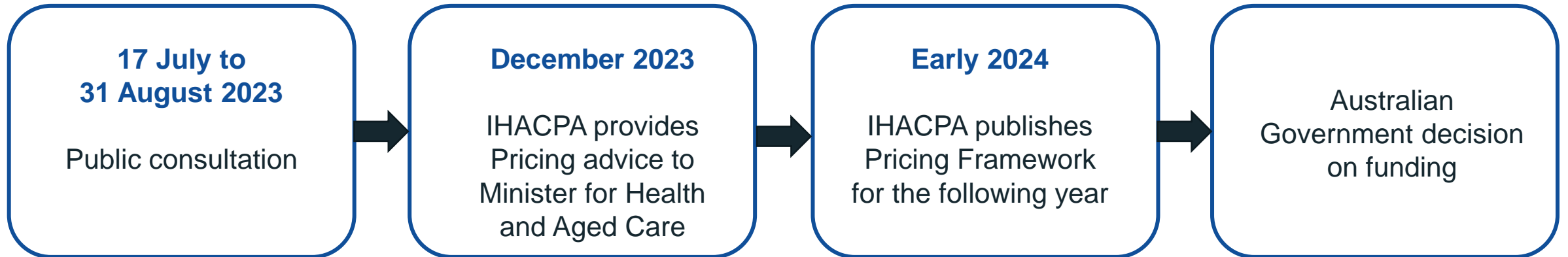
- Completed September 2022
- Testing three data capture technologies to understand resident care time
- Understanding the balance of data capture, resident requirements, staffing impacts.

Larger Costing Study

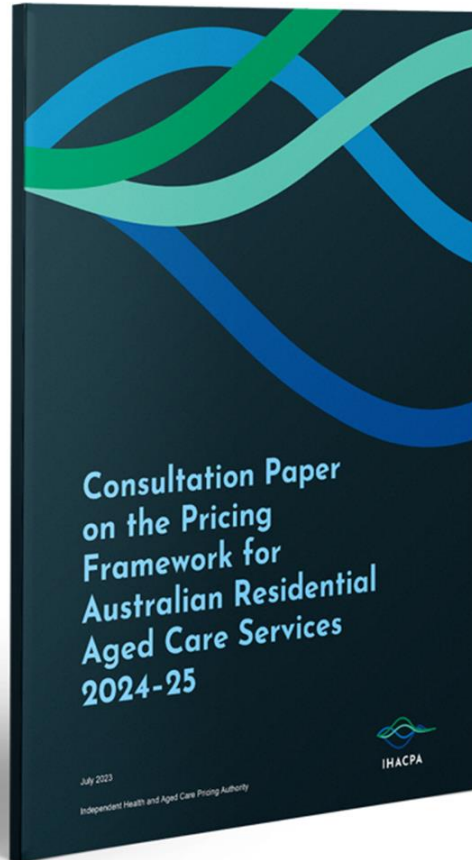
- Data collection to inform future pricing & AN-ACC refinement – currently in the field

Regular costing studies

Timeline to RACPA24



Have your say



Provide your feedback on the *Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024–25* via the online submission form or email your response in Word, PDF or RTF format to submissions.ihacpa@ihacpa.gov.au.

Handwritten and typed hard copy submissions may be mailed to:

PO Box 483
Darlinghurst NSW 1300



The next set of advice

From 2023 to 2024 and beyond

Areas of focus

Classification

- AN-ACC classes
- Weighting of classes
- Homogeneity of classes

Adjustments

- Rural and remote
- Homelessness
- Entry
- Others

Future priorities

- Safety and quality
- MPS
- NATSIFACP

Support at Home Program

IHACPA's work program - Support at Home

- New Support at Home program - implementation from 1 July 2025
- Program and policy design continues in 2023
- Aged Care taskforce to provide recommendations to Government by December 2023
- IHACPA's work program over the next 12 months:
 - Establishing the Support at Home work program
 - Support at Home costing study – currently in the field
 - Public consultation in mid-2024 to inform final pricing advice

Aged Care taskforce

Will deliver recommendations to Government by December 2023:

- sustainable funding for providers
- encourage innovative care delivery approaches that meet older Australian's preferences
- aged care funding is affordable with arrangements that balance equity and fairness between older and working-aged Australians
- older Australians can see the value of their contributions relative to other funding sources
- there is a robust safety net that properly recognises financial capacity at different levels of income and/or life circumstances
- contribution arrangements are efficient, simple to implement, and easily understood by all Australians

Aged Care taskforce

Specifically, the Taskforce will provide advice on:

- funding and contribution approaches to support innovation in care delivery
- a fair and equitable approach to assessing the means of older people accessing residential and in-home aged care, including the scope of income and assets included in the assessment of means
- issues and trade-offs for including/excluding different service types in the new the Support at Home program
- consumer contributions for in-home aged care, and reforms that support a future transition to a single in-home aged care system
- reforms to arrangements for pricing and funding hotel and accommodation costs in residential aged care, including the phasing out of refundable accommodation deposits

Approval of RADs and extra services fee increases

Approval of RADs and Extra Service Fee increases

Core functions

- To assess applications from aged care providers who want to charge a Refundable Accommodation Deposit (RAD) above the Ministers maximum amount of \$550,000
- To assess applications from approved providers for an increase in the amount they are able to charge for Extra Services.

Guiding legislation

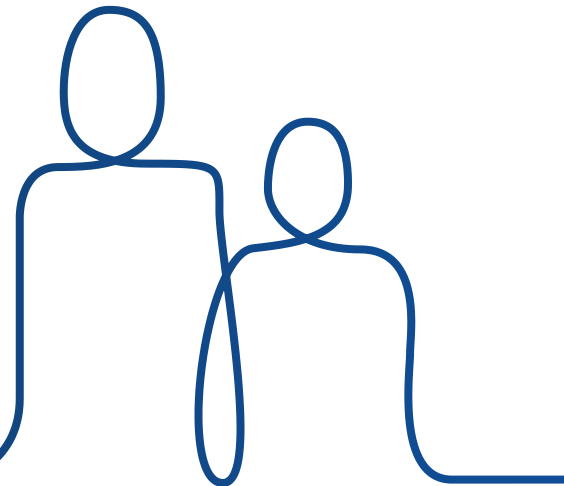
The National Health Reform Act 2011

Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022

The Aged Care Act 1997 (the Act)

Fees and Payments Principles 2014 (No. 2) (the Principles)

Extra Service Principles 2014





Questions?



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