

What you need to know about the IHACPA Pricing Framework

The Independent Health and Aged Care Pricing Authority (IHACPA) has released the [Pricing Framework for Australian Residential Aged Care Services 2023-24 \(the Pricing Framework\)](#). This framework will be the key policy document IHACPA will draw from in providing aged care costing and pricing advice to the Commonwealth Government, starting from 1 July 2023.

The expansion of IHACPA's role to provide independent costing and pricing advice for aged care services follows from a recommendation from the Royal Commission into Aged Care Quality and Safety. IHACPA's expanded role will aim to ensure that aged care funding, including through the new the Australian National Aged Care Classification (AN-ACC), is directly informed by the actual costs of delivering care.

Key points from the Pricing Framework are:

- IHACPA will conduct its first Residential Aged Care Costing Study in 2023.
- IHACPA will retain the proposed definition of the recommended AN-ACC price (i.e. it is multiplied by AN-ACC national weighted activity units to calculate the AN-ACC subsidy)
- IHACPA will not recommend the introduction of any resident-level pricing adjustments, facility-related pricing adjustments and changes to the Base Care Tariffs and their National Weighted Activity Unit values in 2023–24 due to a lack of supporting evidence.
- IHACPA will refine the Pricing Framework annually based on public consultation.

VHA advocacy

The VHA made a [submission to IHACPA](#) in October 2022. We have analysed the Pricing Framework to measure IHACPA's response to the VHA submission and outline the next steps for our advocacy.

What the VHA called for	IHACPA's response	Next steps for the VHA
The framework and incentives should reflect the wellbeing needs of older Victorians.	IHACPA has reworded the 'quality care' principle to include supporting resident wellbeing.	The VHA is pleased to see IHACPA has adopted our recommendation in amending the 'quality care' principle. This is critical to enable services to deliver holistic care to residents.
The residential care framework and prices should reflect the cost of delivering care in PSRACS, which	There will be no changes to the current AN-ACC structure or weightings in the first year due to a lack of resident-level cost data.	The VHA is disappointed that no changes have been made to the current AN-ACC structure or weightings to account for the true costs of delivering care for

<p>support older Victorians with complex care needs that require specialist mental health services, and in rural and regional areas.</p>		<p>PSRACs.</p> <p>We will continue to advocate for changes through future IHACPA consultations to ensure future costing studies will accurately reflect the cost of delivering care to older Victorians who require specialist mental health services and live in rural and regional areas.</p>
<p>The consideration of the ongoing costs to services that have come with responding to the ongoing COVID-19 pandemic, inflation, and other emergent factors such as rising food and fuel costs into the pricing framework and future costing studies.</p>	<p>IHACPA will recommend an appropriate indexation rate be applied to the existing AN-ACC price for 1 July 2023. Due to a lack of resident-level cost data, this will use a range of Australian Bureau of Statistics indexes to separately index each labour and non-labour component of the aged care starting price.</p> <p>In the future, IHACPA will collect and use resident-level costing studies, data from the Aged Care Financial Report (ACFR) and Quarterly Financial Report (QFR) to develop best practice pricing that is informed by the actual costs of delivering care. This will include the ongoing costs of managing COVID-19 outbreaks and other illness outbreaks as reflected in the ACFR, QFR and other cost study data collected by IHACPA.</p>	<p>The VHA will closely monitor and await how IHACPA’s activities on ongoing cost considerations develop in the future.</p> <p>The VHA hopes that IHACPA's future pricing frameworks better acknowledge the true cost of delivering care in PSRACS, who play a unique role in providing specialist care, often in rural and regional areas with thin markets.</p>
<p>Regular updates to the aged care sector on changes to the AN-ACC model and clear pathways to give feedback or acquire</p>	<p>In the short term, IHACPA has established an Interim Aged Care Working Group.</p> <p>IHACPA will conduct annual public consultation for the Pricing Framework. IHACPA will also</p>	<p>The VHA will work with members to develop future submissions to influence future pricing frameworks.</p>

<p>assistance with their transition to the new model.</p> <p>The implementation of mechanisms to ensure that consumers and services have a voice in measuring the impacts of the transition to AN-ACC.</p>	<p>establish separate advisory committees and working groups to support its aged care functions.</p> <p>Over time, IHACPA will work to inform the establishment of benchmark reports, focused on costs and activities within the aged care system, to support improved transparency and an understanding of how providers and services are adapting to sector innovations.</p>	<p>We will advocate for PSRAC representation on advisory committees and working groups when more information is known about them, and continue to update our members on changes to the AN-ACC model.</p>
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