



# **Independent Health and Aged Care Pricing Authority (IHACPA) Draft Work Program and Corporate Plan 2024–25**

Submission

April 2024

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## About ACCPA

The Aged and Community Care Providers Association (ACCPA) is a national Industry Association for aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

ACCPA exists to unite aged care providers under a shared vision to enhance the wellbeing of older Australians through a high performing, trusted and sustainable aged care sector. We support our members to provide high quality care and services while amplifying their views and opinions through an authoritative and comprehensive voice to the government, community and media.

Our sector serves to make better lives for older Australians, and so do we.

## Background

As part of the consultation on the *IHACPA Draft Work Program and Corporate Plan 2024–25 (Draft Work Program)*, the Work Program and Corporate Plan identifies IHACPA's strategic objectives and key activities.

IHACPA's role pertaining to the provision of advice on aged care costing and pricing matters to the Commonwealth Minister for Health and Aged Care includes:

- providing aged care pricing advice about changes in the cost of care and methods for calculating amounts of subsidies to be paid for aged care services, for consideration in Australian Government funding decisions; and
- reviewing data, conducting studies and undertaking consultation for the purpose of providing aged care costing and pricing advice.<sup>1</sup>

ACCPA acknowledges the strategic objectives for 2024-25 as they relate to aged care include:

- performing pricing functions including the *Pricing Framework for Australian Residential Aged Care Services* and the *Consultation on the development of the Pricing Framework for Australian Support at Home Aged Care Services 2025–26* which will inform the underlying principles of pricing advice for the Support at Home funding model;
- refining and developing aged care activity classification systems, such as providing pricing and costing advice to the Australian Government, including potential adjustments and refinements to the AN-ACC;
- refining and improving aged care costing, noting that IHACPA is developing a costing framework and methodology, data sets and related materials and processes that will be used for developing pricing advice for residential and in-home aged care;
- determining data requirements and collect data using a rolling Three Year Data Plan; and
- conducting independent and transparent decision-making and engaging with stakeholders, as well as seeking expert advice.<sup>2</sup>

ACCPA is pleased to provide our response to this public consultation.

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<sup>1</sup> Independent Health and Aged Care Pricing Authority (IHACPA), [\*Draft Work Program and Corporate Plan 2024–25\*](#), p.6.

<sup>2</sup> *Ibid.*, p.7-8.

## Executive Summary

ACCPA welcomes the role of IHACPA in relation to aged care costing and pricing matters, following reforms in response to the Royal Commission into Aged Care Quality and Safety recommendations.<sup>3</sup>

We support the transparent, consultative, and evidence-based approach used by IHACPA in relation to hospitals as also being applied in aged care.

In the previous submission for the *IHACPA Draft Work Program and Corporate Plan 2023–24*, we made thirteen recommendations which included:

- IHACPA’s remit in considering pricing for quality and safe aged care and what is desired for the future (not just pricing what is being delivered now);
- applying approaches from the health and hospital sector to aged care; and
- strengthening of IHACPA’s approach to home care pricing, including the review of the draft service list under development by the Department of Health and Aged Care.<sup>4</sup>

ACCPA has considered the continuing relevance of these recommendations for this submission as well as additional recommendations for the specific Draft Work Program items identified for IHACPA for 2024-25 at Appendix 1.

In addition, we note the significant reform context for aged care in 2024-25 for IHACPA’s consideration as part of its aged care pricing work with respect to potential new legislation and deliberations on the future sustainability of aged care.

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<sup>3</sup> Royal Commission into Aged Care Quality and Safety, [\*Recommendation 11: Independent Hospital and Aged Care Pricing Authority \(Commissioner Briggs\)\*](#), March 2021.

<sup>4</sup> Aged and Community Care Providers Association (ACCPA), [\*Submission - Independent Health and Aged Care Pricing Authority \(IHACPA\) Draft Work Program and Corporate Plan 2023–24\*](#), April 2023.

## Summary of recommendations

**R1:** That IHACPA includes the cost of transition in its pricing for aged care providers.

**R2:** That IHACPA includes the desired quality in pricing for future aged care services, as opposed to using historical data.

**R3:** That IHACPA address the increased role proposed by the Aged Care Taskforce Recommendation 23 (and any Australian Government response) as part of the 2024-25 Work Program and Corporate Plan.

**R4:** That IHACPA actively considers the differences between acute care and longitudinal care, and whether current approaches to hospital pricing and costing are fit for purpose in aged care (particularly the distinction between National Efficient Price (NEP) and National Efficient Cost (NEC)).

**R5:** That the Australian Government and IHACPA work together closely to ensure a harmonised, transparent and comprehensive consultation approach with the aged care sector on a Pricing Framework for Australian Support at Home Aged Care Services 2025-26.

**R6:** That IHACPA clarify its timing and approach to pricing advice to inform Australian Government decisions on residential aged care and respite care funding for 2025-26 and how it will accommodate the Fair Work Commission Annual Wage Review decision.

**R7:** That IHACPA's 2024-25 residential aged care pricing advice also include refinements to its approach to indexation (including wages indexation) that include Recommendations ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being *R9 That IHACPA works with the sector to identify an appropriate indexation methodology for workforce wages that can also account for the timing difference of IHACPA's annual pricing recommendation to Government and the Annual Wage Review indexation decision*, and *R10 That IHACPA reviews the use of its existing composite CPI methodology to improve its approach to determining indexation in residential aged care*.

**R8:** That IHACPA's 2024-25 residential aged care pricing advice also include refinements to AN-ACC that include consideration of ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being *R6 That IHACPA undertakes further costing work to accurately identify the cost of providing care to residents: • who are mobile but cognitively impaired; • with mental health challenges; • with a history or drug or alcohol issues; • at risk of homelessness; • who display responsive behaviours; and/or • who require complex wound management. This work should inform IHACPA's pricing advice for the AN-ACC classes for its 1 July 2024 pricing advice, as well as future reviews of the AN-ACC classes and R13 That the fixed component of the AN-CC payment should make adjustment for services in MMM categories 2-7, not just those in MMM 5-7. These adjustments should be weighted so that services in the most remote locations receive the greatest subsidy*.

**R9:** That IHACPA's 2024-25 Residential Aged Care Specialist Services Costing Study include consideration of ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being *R6 That IHACPA undertakes*

***further costing work to accurately identify the cost of providing care to residents: • who are mobile but cognitively impaired; • with mental health challenges; • with a history or drug or alcohol issues; • at risk of homelessness; • who display responsive behaviours; and/or • who require complex wound management. This work should inform IHACPA’s pricing advice for the AN-ACC classes for its 1 July 2024 pricing advice, as well as future reviews of the AN-ACC classes.***

**R10:** That the ‘anticipated Support at Home service list’ being used by IHACPA’s Support at Home costing study is made transparent as part of consultation on the Pricing Framework for Australian Support at Home Aged Care Services 2025–26. .

**R11:** That IHACPA clarify the process for its update of the Three Year Data Plan and how sector engagement will be undertaken and incorporated.

**R12:** That IHACPA consider a program of work on the relationship of innovative funding models and models of care including undertaking sector engagement.

**R13:** That IHACPA consider a program of work on the role of virtual models of care in aged care including undertaking sector engagement.

## Context

ACCPA’s submission should be read in the context of two major reforms in aged care – new legislation and aged care funding.

### New Aged Care Act

On 14 December 2023, an Exposure Draft on the New Aged Care Act was released for consultation (albeit incomplete with sections ‘to be drafted’ including Chapter 4 on Fees, payments and subsidies).

ACCPA welcomed the opportunity to provide input regarding the exposure draft of the new Aged Care Act which was the first recommendation of the Royal Commission into Aged Care Quality and Safety. We noted the exposure draft aims to address 33 recommendations (in part, or in full) of the Royal Commission. We supported the Royal Commission’s vision of a new, person-centred aged care system that delivers better outcomes for older people and continues to improve over time.

The passage and implementation of the new Aged Care Act will mark the beginning of a new phase of significant reform for the aged care sector – impacting registered providers, care recipients, and all other stakeholders. It is important that this reform is done right, that it is well-designed, genuinely informed by consultation feedback, and (importantly) not rushed.

ACCPA’s *Submission to the Exposure Draft of the new Aged Care Act* includes reference to two recommendations that we bring to IHACPA’s attention including:

- *Recommendation 4: The Government should provide dedicated funding to registered providers to assist with transition and implementation*
  - In relation to new (or revised) legislative reform, there are significant change management processes, practices, training and systems investment that aged care providers must enact to transform well.
  - Given the large scale of reforms to be implemented, ACCPA has recommended that the Government provide dedicated funding to registered

providers to assist with transition and implementation. Financial sustainability is critical to the capacity of registered providers to implement the reforms to be introduced through the new Aged Care Act.

- **Recommendation 16: An aspirational definition of high quality care should not be included in the new Aged Care Act**
  - Page 20 of A new Aged Care Act: exposure draft – Consultation paper no. 2 states “...the proposed wording in the Exposure Draft aims to raise the bar for high quality care. It seeks to clarify that high quality is about excellence, that is, the delivery of care at a level above the quality and safety funded aged care required under the new Act”.
  - An aspirational definition of ‘high quality care’ (proposed section 19) should not be included in the new Aged Care Act, because it is aspirational and providers, as stated in the consultation document, will expressly not be funded to deliver to the proposed definition.
  - The Royal Commission into Aged Care Quality and Safety’s discussion about Recommendation 13 – Embedding high quality care noted that ‘A measurable definition of high quality care needs to be formulated and refined over time.’ Further it expressly stated the importance of their recommendations around funding and pricing being implemented together with the provision of high-quality care, saying ‘High quality care should be measurable by the amounts of time care staff with different identified skills provide each day in caring for a person, according to the person’s casemix classification. This will enable the costs of high quality care to be estimated, and that estimate may be iteratively reviewed and refined over time by the Pricing Authority. This is an example of the linkages between different aspects of the reforms we are proposing: quality of care, workforce requirements, and pricing and funding of care. It highlights the importance of implementing the entirety of our recommendations as a complete package. Over time, however, we would expect that high quality care should be measured on the basis of outcomes for older people.’<sup>5</sup>

While the timing of new legislation is pending the introduction and passage of a Bill through Parliament, ACCPA contends that IHACPA has a role to play in relation to both aspects of the Exposure Draft of the new Aged Care Act.

**Recommendation 1: That IHACPA includes the cost of transition in its pricing for aged care providers.**

**Recommendation 2: That IHACPA includes the desired quality in pricing for future aged care services, as opposed to using historical data.**

### Aged Care Taskforce

The Aged Care Taskforce, chaired by Minister Wells, was announced in June 2023 to review funding arrangements for aged care. Its focus was on supporting a sustainable system as well as equity for older people needing aged care now and into the future.<sup>6</sup>

ACCPA welcomed the release of the Final Report which includes seven aged care funding

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<sup>5</sup> Royal Commission into Aged Care Quality and Safety, *Final Report - Vol 3A: The new system*, p.91-92.

<sup>6</sup> The Hon Anika Wells MP, *Minister for Aged Care and Sport - National Press Club Transcript*, 7 June 2023 and Department of Health and Aged Care, *Aged Care Taskforce – Terms of reference*, 2023.



principles and 23 recommendations for Government consideration, relating to residential care, home care, innovation, thin markets, and more.<sup>7</sup>

The Final Report acknowledges that *‘Australia’s aged care needs are increasing as the population ages, and expectations of quality improvements are high,’* but that, *‘the aged care sector is currently not in a financial position to meet expected demand, deliver on the required quality improvements or invest to meet Australia’s future aged care needs.’*<sup>8</sup>

We believe that the Taskforce has proposed a way forward that is person-centred, sustainable, balanced and future-focused, particularly noting their recognition that *‘A new approach to funding arrangements is critical to support an aged care system which is sustainable, fair and facilitates greater innovation in the sector. Only a financially sound aged care sector will attract the additional investment required to deliver quality care for older people.’*<sup>9</sup>

ACCPA has long supported the important role of IHACPA as a key pillar to achieve an improved aged care system in Australia and supports a proposed role for IHACPA articulated in *‘Recommendation 23: Improve communications between the Independent Health and Aged Care Pricing Authority (IHACPA) and providers and participants regarding its pricing advice and decisions, and task IHACPA with: • a review of its pricing in rural and remote areas and • costing of the supplement for everyday living.’* We also note the Taskforce recognises IHACPA could also be tasked with additional responsibilities such as providing advice on an appropriate value of the everyday living supplement (see Recommendation 10).<sup>10</sup>

Our *Pre-Budget 2024-25 Submission* includes reference to two recommendations that are related to the future sustainability of aged care that we bring to IHACPA’s attention including:

- *Recommendation 1: Fund quality and sustainable aged care services - Sustainable future funding arrangements to include:*
  - *An increased role for consumer contributions to aged care services, for those who have the means to do so, with a strong safety net that ensures everyone is able to access high quality services, no matter their capacity to pay;*
  - *Government administered and communicated means testing arrangements, including relevant consumer contributions for aged care services;*
  - *Implement a residential aged care funding model (incorporating approaches recommended by StewartBrown) including:*
    - *Everyday Living – increase the role of consumer contributions for everyday living (e.g. food and utilities) for those with greater capacity to pay, whilst retaining a strong safety net of the capped basic daily fee for those who do not; and*
    - *Accommodation – increase funding for accommodation to both meet the actual associated costs and provide additional funding to support investment in accommodation infrastructure for the future, including through the maximum permissible interest rate (MPIR) being set at no less than 8% per annum and an enhanced role for consumer contributions for those who can afford it.*

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<sup>7</sup> Aged and Community Care Providers Association (ACCPA), [Media release - ACCPA welcomes the release of the Aged Care Taskforce Report](#), 11 March 2024 and Australian Government, [Final report of the Aged Care Taskforce](#), 12 March 2024.

<sup>8</sup> Australian Government, [Final report of the Aged Care Taskforce](#), 12 March 2024, p.4.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid., p.42-43.



- *Implement an in-home aged care policy and funding model that:*
  - *allows for an increased role for consumer contributions to operate alongside variable subsidy levels reflecting approaches in other public services such as healthcare, where there are higher subsidies for health and personal care and lower subsidies for domestic and other support;*
  - *plans and allows for seamless transition between home care, seniors housing, retirement living and residential care;*
  - *prioritises the psycho-social and wellbeing considerations of ageing at home; and*
  - *supports more complex care needs while also balancing consumer directed care with expert advice and support.*
- *Fund the Commonwealth Home Support Programme (CHSP) to meet anticipated growth, and increased wage costs associated with the Aged Care Work Value Case, to ensure there is capacity to meet increased demand between mid-2024 and the earliest end date for the program of mid-2027.*
- ACCPA's support of sustainable future funding arrangements is occurring against a backdrop of a financial sustainability crisis in aged care, exacerbated by a workforce crisis, a sector fatigued by the COVID-19 pandemic and navigating a significant reform agenda.
- Furthermore, aged care consumers are growing in number, there are increasing pressures on government expenditure and the broader community are seeking greater confidence that the aged care system will deliver improved quality care now and into the future.
- For more than twelve months, ACCPA has been leading calls for a national conversation on the future sustainability of the aged care sector, including an increased role for consumer contributions for those with the means to do so.
- *Recommendation 2: Implement independent pricing determinations for aged care - Expand the role of the Independent Health and Aged Care Pricing Authority (IHACPA) to determine aged care pricing (as it does in health).*
  - The role of IHACPA in relation to determining health pricing has operated successfully for many years and should be expanded to include the determination of aged care pricing as a structural means of supporting trust and transparency in the aged care system. This is particularly relevant to the progression of possible future funding arrangements as it might relate to consumer contributions.
  - It would also serve to provide a key layer of assurance to the Australian taxpayer and consumer that an independent body has an evidence-based role to consider, determine and publish prices in aged care (as a longitudinal 'check and balance' across annual budget and electoral cycles).

**Recommendation 3:** That IHACPA address the increased role proposed by the Aged Care Taskforce Recommendation 23 (and any Australian Government response) as part of the 2024-25 Work Program and Corporate Plan.



IHACPA

**(Appendix 1: ACCPA  
Submission)**

**IHACPA Work  
Program and  
Corporate Plan  
2024-25**

***Draft for public consultation***

***March 2024***

**IHACPA Work Program and Corporate Plan 2024-25  
Draft for public consultation - March 2024**

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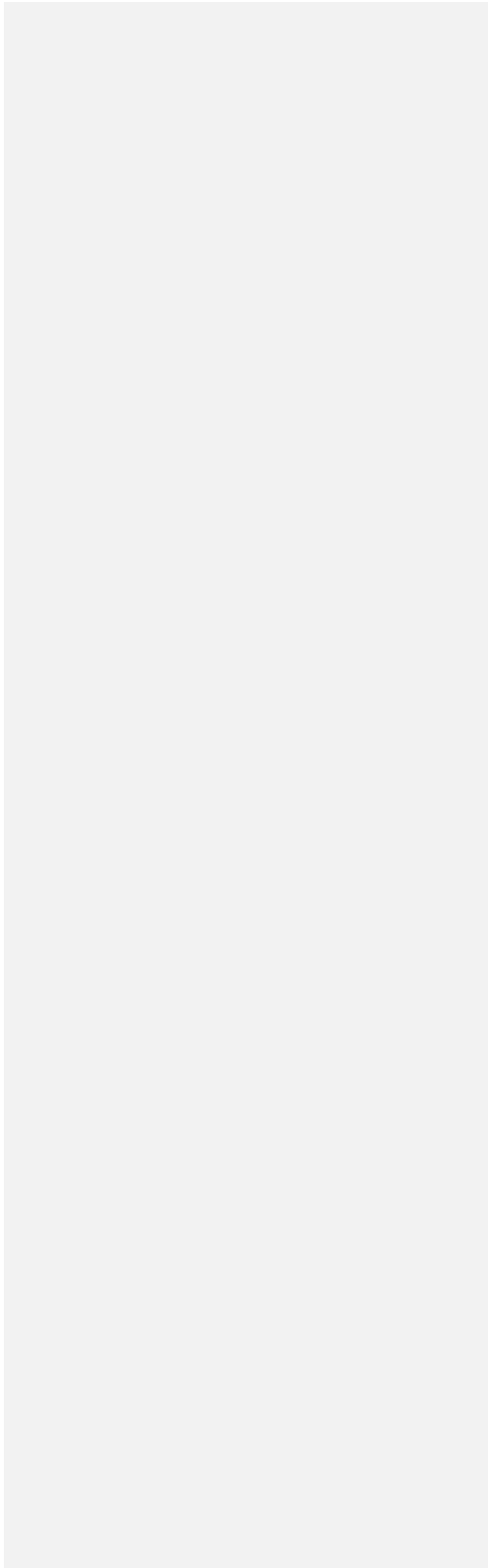
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I am pleased to present the Independent Health and Aged Care Pricing Authority's Work Program and Corporate Plan 2024–25 for the reporting periods 2024–25 to 2026–27.

The Independent Health and Aged Care Pricing Authority is an independent government agency established under the *National Health Reform Act 2011* to implement national activity based funding for public hospital services and provide costing and pricing advice for aged care services to promote efficiency and transparency in the delivery and funding of public health and aged care services across Australia.

Each year, the Independent Health and Aged Care Pricing Authority delivers a national efficient price for activity based funding for public hospital services and a national efficient cost for block-funded public hospital services, underpinned by nationally consistent costing, data collection and classification systems. We also develop aged care pricing advice on methods for calculating amounts of subsidies to be paid for residential aged care and residential respite care, and from 1 July 2025 will also provide annual pricing advice on the Support at Home Program.

The Work Program and Corporate Plan 2024–25 strengthens the alignment between its purpose, strategic objectives and key activities. Through the Work Program and Corporate Plan 2024–25, the Independent Health and Aged Care Pricing Authority aims to reflect our accountability more clearly and comprehensively to the Australian Government, the states and territories, broader stakeholders and the Australian public.

Professor Michael Pervan

Chief Executive Officer, Independent Health and Aged Care Pricing Authority  
Accountable Authority

# Abbreviations and acronyms

|                              |   |
|------------------------------|---|
| <b>ABF</b>                   | Activity based funding  |
| <b>ACHI</b>                  | Australian Classification of Health Interventions   |
| <b>ACS</b>                   | Australian Coding Standards   |
| <b>AECC</b>                  | Australian Emergency Care Classification  |
| <b>AHPCS</b>                 | Australian Hospital Patient Costing Standards   |
| <b>AMHCC</b>                 | Australian Mental Health Care Classification  |
| <b>AN-ACC</b>                | Australian National Aged Care Classification  |
| <b>AN-SNAP</b>               | Australian National Subacute and Non-Acute Patient Classification   |
| <b>AR-DRG</b>                | Australian Refined Diagnosis Related Groups Classification  |
| <b>ATTC</b>                  | Australian Teaching and Training Classification   |
| <b>CEO</b>                   | Chief Executive Officer   |
| <b>COVID-19</b>              | Coronavirus disease 2019  |
| <b>HAC</b>                   | Hospital acquired complication  |
| <b>HoNOS</b>                 | Health of the Nation Outcome Scales   |
| <b>ICD-10-AM</b>             | International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification |
| <b>IHACPA</b>                | Independent Health and Aged Care Pricing Authority  |
| <b>MSAC</b>                  | Medical Services Advisory Committee   |
| <b>NBP</b>                   | National Benchmarking Portal  |
| <b>NEC</b>                   | National efficient cost   |
| <b>NEP</b>                   | National efficient price  |
| <b>NHCDC</b>                 | National Hospital Cost Data Collection  |
| <b>NHRA</b>                  | National Health Reform Agreement  |
| <b>NWAU</b>                  | National weighted activity unit   |
| <b>SDMS</b>                  | Secure Data Management System   |
| <b>The addendum</b>          | Addendum to the National Health Reform Agreement 2020–25  |
| <b>The Administrator</b>     | Administrator of the National Health Funding Pool   |
| <b>The Aged Care Act</b>     | <i>Aged Care Act 1997</i>   |
| <b>The Commission</b>        | Australian Commission on Safety and Quality in Health Care  |
| <b>The NHR Act</b>           | <i>National Health Reform Act 2011</i>  |
| <b>The PGPA Act</b>          | <i>Public Governance, Performance and Accountability Act 2013</i>   |
| <b>The PGPA Rule</b>         | <i>Public Governance, Performance and Accountability Rule 2014</i>  |
| <b>The Pricing Authority</b> | Governing body of the Independent Health and Aged Care Pricing Authority  |

# 1. Introduction

The Independent Health and Aged Care Pricing Authority (IHACPA) is an independent government agency established through the National Health Reform Agreement and under the *National Health Reform Act 2011* (the NHR Act) to improve health outcomes for all Australians.

The Chief Executive Officer of IHACPA is the accountable authority presenting the IHACPA Work Program and Corporate Plan 2024–25, as required under section 225 of the NHR Act and section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The NHR Act requires annual reporting on strategic objectives and key activities developed for IHACPA's annual Work Program while the PGPA Act specifies reporting on corporate outcomes and performance measures across 2024–25 to 2026–27.

The IHACPA Work Program and Corporate Plan identifies IHACPA's strategic objectives and key activities. The project deliverables under each strategic objective are prioritised and shaped by engagement with stakeholders through the Pricing Authority (the governing body of IHACPA), advisory committees and working groups, and through public consultation.

## 1.1 Purpose

IHACPA's role pertaining to pricing and funding for public hospital services includes:

- determining the national efficient price (NEP) for health care services provided by public hospitals where the services are funded on an activity basis;
- determining the national efficient cost (NEC) for health care services provided by public hospitals where the services are block funded;
- developing block funding criteria and determining which hospitals, services and functions are eligible for block funding or a combination of activity based funding (ABF) and block funding;
- developing and specifying classification systems for health care and other services provided by public hospitals;
- determining adjustments to the NEP to reflect legitimate and unavoidable variations in the costs of delivering health care services;
- determining data requirements and data and coding standards to apply in relation to data to be provided by jurisdictions, including:
  - data and coding standards to support uniform provision of data; and
  - requirements and standards relating to patient demographic characteristics and other information relevant to classifying, costing and paying for public hospital functions;
- except where otherwise agreed between the Commonwealth and a state or territory – determining the public hospital functions that are to be funded in the state or territory by the Commonwealth.

IHACPA's role pertaining to the provision of advice on aged care costing and pricing matters to the Australian Government Minister for Health and Aged Care includes:

- providing aged care pricing advice about changes in the cost of care and methods for calculating amounts of subsidies to be paid for aged care services, for consideration in Australian Government funding decisions
- reviewing data, conducting studies and undertaking consultation for the purpose of providing aged care costing and pricing advice
- performing such functions as conferred by the *Aged Care Act 1997* (the Aged Care Act) or the *Aged Care (Transitional Provisions) Act 1997*
- performing other functions relating to aged care (if any) specified in regulations
- undertaking other actions incidental or conducive to the performance of the above functions.

**Commented [A1]:** There is a distinction between IHACPA costing what is currently delivered (such as costing current practices), rather than costing what should/could be delivered. ACCPA highlights the work of the Royal Commission into Aged Care Quality and Safety, which identified the inadequacy of what is being delivered as part of the aged care system in Australia. Further context in 2024-25 is the significant raft of potential new reform and associated costs in aged care, as well as an 'aspirational' definition of high quality care included in the Exposure Draft of the new Aged Care Act which is unfunded.

Recommendation 1: That IHACPA includes the cost of transition in its pricing for aged care providers.

Recommendation 2: That IHACPA includes the desired quality in pricing for future aged care services, as opposed to using historical data.



IHACPA also has the power to approve a refundable accommodation deposit (RAD) amount higher than the maximum determined by the Australian Government Minister for Health and Aged Care and the power to approve increases to extra service fees.

## 1.2 Strategic objectives and key activities

The Work Program and Corporate Plan 2024–25 has six strategic objectives with associated key activities for delivery. IHACPA's strategic objectives for 2024–25 are outlined below:

### Perform pricing functions

IHACPA has a key function in developing the NEP and NEC Determinations for Australian public hospital services each year. The Pricing Framework for Australian Public Hospital Services forms the policy basis for the NEP and NEC Determinations and outlines the principles, scope and methodology to be adopted by IHACPA in the setting of the NEP and NEC Determinations for public hospital services in the next financial year.

IHACPA is also responsible for providing independent advice to the Australian Government Minister for Health and Aged Care on costing and pricing for residential aged care services. The Pricing Framework for Australian Residential Aged Care Services outlines the principles, scope and methodology to be adopted by IHACPA when making recommendations to the Australian Government Minister for Health and Aged Care on the refinement of the funding model for residential aged care services.

In addition, IHACPA is required to provide pricing advice on a set of unit prices for the new Support at Home program from 1 July 2025. Consultation on the development of the Pricing Framework for Australian Support at Home Aged Care Services 2025–26 will inform the underlying principles of pricing advice for the Support at Home funding model.

As part of IHACPA's expanded remit, IHACPA is also responsible for approving higher maximum accommodation payment amounts and increases to extra service fees, as part of the functions conferred by the *Aged Care Act 1997*.

### Refine and develop hospital and aged care activity classification systems

Activity based funding (ABF) requires robust classification systems upon which pricing can be based.

Classifications for the health care sector provide a nationally consistent method of classifying all types of patients, their treatment and associated costs. IHACPA has determined national classification systems for the admitted acute, admitted subacute and non-acute, emergency, mental health and non-admitted patient service categories and teaching and training services. These classifications are reviewed regularly and updated periodically to ensure that they remain clinically relevant and resource homogeneous within a service category.

Within the aged care sector, the Australian National Aged Care Classification (AN-ACC) model provides funding to approved aged care providers reflective of service location and specialisation and each residents' care needs. IHACPA's role is to provide pricing and costing advice to the Australian Government, including potential adjustments and refinements to the AN-ACC.

### Refine and improve hospital and aged care costing

Costing focuses on the cost and mix of resources used to deliver care and plays a vital role in ABF.

Costing informs the development of classification systems and provides valuable information for pricing purposes.

For the health care sector, IHACPA coordinates the annual National Hospital Cost Data Collection, which is the primary input into the NEP. This includes the development of national costing standards, collection, validation, quality assurance, analysis and reporting, and benchmarking. The cost collection is undertaken in conjunction with the state and territory governments, and private hospitals.

For the aged care sector, IHACPA is developing a costing framework and methodology, data sets and related materials and processes that IHACPA will use for developing pricing advice for residential and in-home aged care. IHACPA is also developing costing standards and, where required, business rules and guidelines to guide the allocation of resident level costs.

**Commented [A2]:** Current Australian Government deliberations on the future sustainability of the aged care system in Australia, and the Aged Care Taskforce Final Report are pivotal to the context within which IHACPA will be pricing and costing aged care during 2024-25.

Recommendation 3: That IHACPA address the increased role proposed by the Aged Care Taskforce Recommendation 23 (and any Australian Government response) as part of the 2024-25 Work Program and Corporate Plan.

### ***Determine data requirements and collect data***

Timely, accurate and reliable data is vital to enable IHACPA to perform its pricing functions and refine and develop activity classification systems. IHACPA has developed a rolling Three Year Data Plan to communicate to the Australian Government, state and territory governments and the aged care sector of the data requirements, data standards and timelines that IHACPA will use to collect data over the coming three years. To ensure greater transparency, IHACPA publishes data compliance reports on a quarterly basis to indicate jurisdictional compliance for reporting of public hospital data with the specifications in the rolling Three Year Data Plan.

### ***Investigate and make recommendations concerning cost-shifting and cross-border disputes***

IHACPA has a role to investigate and make recommendations concerning cost-shifting and cross-border disputes between jurisdictions, when requested by a state or territory health minister, to ensure the timely, equitable and transparent management of these disputes.

### ***Conduct independent and transparent decision-making and engage with stakeholders***

IHACPA conducts its work independently from the Australian Government and state and territory governments, which allows the Pricing Authority to deliver impartial, evidence based decisions. IHACPA is transparent in its decision making processes and consults extensively with the Australian Government, state and territory governments, aged care sector and other stakeholders to inform the methodology that underpins IHACPA's decisions and work program.

IHACPA has formal consultation processes in place to ensure that it draws on an extensive range of expertise in undertaking its functions. Stakeholder input from IHACPA's advisory committees and working groups ensures that IHACPA's work is informed by expert advice, which helps to establish and uphold IHACPA's credibility throughout the health and aged care industry.

## 2. Key activities

The Independent Health and Aged Care Pricing Authority's (IHACPA) strategic objectives and the associated key deliverables for 2024–25 are detailed below. Additional major work, not currently listed below, may arise based on recommendations from the Mid-term Review of the Addendum to the National Health Reform Agreement 2020–25.

### Strategic Objective One: Perform pricing functions

#### a) Development of the Pricing Framework for Australian Public Hospital Services 2025–26

| Deliverable  | Timeframe      |
|--|----------------|
| Complete the public consultation process for the Pricing Framework for Australian Public Hospital Services 2025–26.                  | July 2024      |
| Provide the draft Pricing Framework for Australian Public Hospital Services 2025–26 to health ministers for a 45-day comment period. | September 2024 |
| Publish the final Pricing Framework for Australian Public Hospital Services 2025–26 on the IHACPA website.                           | December 2024  |

**IHACPA will develop the Pricing Framework for Australian Public Hospital Services 2025–26 to outline the principles, scope and methodology underpinning the development of the national efficient price (NEP) and national efficient cost (NEC) for public hospital services for 2025–26.**

Development of the Pricing Framework for Australian Public Hospital Services includes 3 major phases: a public consultation period, review of the draft Pricing Framework for Australian Public Hospital Services by health ministers, and publication of the final Pricing Framework for Australian Public Hospital Services.

#### b) Determination of in-scope public hospital services eligible for Commonwealth funding under the National Health Reform Agreement

| Deliverable  | Timeframe     |
|--|---------------|
| Finalise decisions on the General List of In-Scope Public Hospital Services for additional or altered in-scope services for 2025–26. | December 2024 |

The [General List of In-Scope Public Hospital Services Eligibility Policy](#) outlines the process by which jurisdictions can make submissions to IHACPA for public hospital services to be considered for inclusion on, or removal from, the General List of In-Scope Public Hospital Services to receive Commonwealth funding.

Full details of the public hospital services determined to be in-scope for Commonwealth funding are provided in the annual NEP Determination. In 2024–25, IHACPA will assess jurisdiction submissions for additional or altered in-scope services for inclusion on the General List of In-Scope Public Hospital Services for the NEP Determination 2025–26 (NEP25).

c) **National Efficient Price and National Efficient Cost Determinations for public hospital services 2025–26**

| Deliverable   | Timeframe     |
|---|---------------|
| Finalise decisions on jurisdictional submissions for legitimate and unavoidable cost variations to determine whether adjustments are required for the National Efficient Price Determination 2025–26. | December 2024 |
| Provide the draft National Efficient Price and National Efficient Cost Determinations 2025–26 to health ministers for a 45-day comment period.  | December 2024 |
| Publish the National Efficient Price and National Efficient Cost Determinations 2025–26 on the IHACPA website.  | March 2025    |

**Commented [A3]:** ACCPA notes that a national efficient price requires a definable unit of activity to act as a multiplier. With regard to aged care, a National Efficient Cost might be more appropriate, because it includes the idea of an 'availability' cost (i.e. part of the funding accounts for the cost of keeping the service open). Critically, we highlight that aged care services are not episodic and therefore do not lend themselves to IHACPA's traditional approach of activity-based funding.

Recommendation 4: That IHACPA actively considers the differences between acute care and longitudinal care, and whether current approaches to hospital pricing and costing are fit for purpose in aged care (particularly the distinction between National Efficient Price (NEP) and National Efficient Cost (NEC).

**Developing the national efficient price**

The NEP represents the price that will form the basis for Commonwealth payments to local hospital networks for each episode of care under the activity based funding (ABF) system. In accordance with the addendum, IHACPA will consider the actual cost of delivering public hospital services in as wide a range of hospitals as practicable. It will also take into account any legitimate and unavoidable variations in the costs of delivering health care services due to hospital characteristics (for example, size, type and location) and patient characteristics (for example, Indigenous status, location of residence and demographic profile).

**Developing the national efficient cost**

Generally, public hospitals or public hospital services will be eligible for block funding if there is either no acceptable classification system available, or activity and cost data collections are not in place in states or territories to allow for the pricing and funding of these services on an activity basis. Block-funded amounts are included in the NEC Determination each year.

Clauses A49–A55 of the addendum require that IHACPA develop block-funding criteria in consultation with states and territories, and that states and territories provide advice to IHACPA on how their services meet these criteria. On the basis of this advice, IHACPA determines which hospital services and functions are eligible for block funding. The Administrator of the National Health Funding Pool (the Administrator) then calculates the Commonwealth contribution.

**Coronavirus disease 2019**

Coronavirus disease 2019 (COVID-19) resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals. Through the development of the NEP Determinations for 2022–23, 2023–24 and 2024–25, IHACPA has worked with jurisdictions and its advisory committees to understand the impact of the COVID-19 pandemic response on hospital activity and costs. Where necessary, IHACPA has made pricing model refinements to account for this impact, without distorting the long term application of the national pricing model.

In October 2023, Australia's Chief Medical Officer declared that COVID-19 is no longer a Communicable Disease Incident of National Significance. This followed the expiration of the *National Partnership on COVID-19 Response* in December 2022. As the impact of the COVID-19 pandemic dissipates and public hospital services incorporate costs and models of care associated with the pandemic into ongoing service delivery, IHACPA will critically review the need to apply refinements to the national pricing model, on the basis of updated available data and consultation with stakeholders and IHACPA's advisory committees.

#### d) Pricing and funding for safety and quality in the delivery of public hospital services

| Deliverable  | Timeframe |
|--|-----------|
| Incorporate safety and quality reforms into the pricing and funding of public hospital services. | Ongoing   |

**The addendum requires IHACPA to continue to implement safety and quality approaches for sentinel events, hospital acquired complications (HACs) and avoidable hospital readmissions. The addendum also requires IHACPA to provide advice regarding the evaluation of existing reforms and the investigation of new reforms, including options for reducing avoidable and preventable hospitalisations.**

##### **Sentinel events**

Sentinel events are a subset of adverse patient safety events that are wholly preventable and result in serious harm to, or death of, a patient, where serious harm is defined to include requiring life-saving surgical or medical intervention, shortened life expectancy, permanent or long-term physical harm or permanent or long-term loss of function.

The Australian Commission on Safety and Quality in Health Care (the Commission) is responsible for maintaining the Australian Sentinel Events List, which was initially endorsed by Australian health ministers in 2002.

The Commission undertook a review of the Australian Sentinel Events List in 2017 and the updated list was endorsed by Australian health ministers in December 2018. Version 2.0 of the Australian Sentinel Events List is available on the [Commission's website](#).

Since July 2017, IHACPA has implemented a funding approach for sentinel events whereby a zero national weighted activity unit (NWAU) is assigned to an episode of care that includes a sentinel event. This approach is applied to all hospitals, comprising services funded on an ABF or block-funded basis.

##### **Hospital acquired complications**

A HAC refers to a complication for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The Commission is responsible for the ongoing curation of the HACs list to ensure it remains clinically relevant.

Version 3.1 of the HACs list and specifications was released in March 2021 and is available on the [Commission's website](#).

Since July 2018, IHACPA has implemented a HACs funding approach that incorporates a risk adjustment model that assigns individual patient episodes with a HAC complexity score (low, medium or high). This complexity score is used to adjust the funding reduction for an episode containing a HAC, on the basis of the risk of that patient acquiring a HAC.

##### **Avoidable hospital readmissions**

An avoidable hospital readmission occurs when a patient has been discharged from hospital (index admission) and has a subsequent unplanned admission that is related to the index admission and was potentially preventable.

The Commission developed a list of clinical conditions considered to be avoidable hospital readmissions, which was endorsed by health ministers in 2019. Version 2.0 of the list of avoidable hospital readmission conditions and specifications was released in May 2022 and is available on the [Commission's website](#).

Since July 2021, IHACPA has implemented an avoidable hospital readmissions funding approach that applies a risk-adjusted NWAU adjustment to the index episode, based on the total NWAU of the associated readmission. A risk adjustment model has been derived for each readmission condition, aligning the risk of being readmitted for each episode of care, based on the most clinically relevant and statistically significant risk factors for that readmission condition.

##### **Safety and Quality Evaluation Framework**

Clause A172 of the addendum requires IHACPA to provide advice to health ministers on evaluating the implemented safety and quality reforms against a set of established principles to support consideration of new or additional reforms.

IHACPA developed an evaluation framework in consultation with the jurisdictions, the Commission, the Administrator and key stakeholders for the evaluation of the implemented pricing and funding approaches for sentinel events, HACs and avoidable hospital readmissions. IHACPA, the Commission and the Administrator provided joint advice to health ministers in October 2021 on a proposed evaluation approach.

#### Further safety and quality reforms

Clause A173 of the addendum requires IHACPA, the Commission and the Administrator to provide advice to health ministers on options for the further development of safety and quality-related reforms.

As part of the joint advice provided to health ministers in October 2021, IHACPA and the Commission investigated options for reducing avoidable and preventable hospitalisations, with a focus on patients with chronic and complex conditions. Pending ministerial feedback, IHACPA will work with jurisdictions, the Commission and broader stakeholders to explore further options for reducing avoidable and preventable hospitalisations.

#### e) Forecast of the national efficient price for future years

| Deliverable   | Timeframe  |
|---|------------|
| Provide confidential national efficient price forecast for future years to jurisdictions. | March 2025 |

Clause B24(h) of the addendum requires IHACPA to develop projections of the NEP for a four-year period. These are updated annually, with confidential reports on these projections provided to the Australian Government and state and territory governments.

#### f) Supplementary Block-Funding Advice to the Administrator of the National Health Funding Pool

| Deliverable  | Timeframe |
|--|-----------|
| Publish the Supplementary Block-Funding Advice to the Administrator of the National Health Funding Pool for 2024–25. | June 2025 |

As the release of the NEC Determination in March each year does not align with all state and territory government budget cycles, IHACPA issues supplementary block-funding advice to the Administrator of the National Health Funding Pool, which provides an opportunity for state and territory governments to update their block-funded amounts following the finalisation of their budgets.

#### g) Pricing model refinements

| Deliverable   | Timeframe     |
|---|---------------|
| Develop and commence a work plan for the review of all adjustments to the national pricing model.         | June 2025     |
| Review recommendations from the Indexation Review.  | March 2025    |
| Continue the review of the funding methodology for unqualified newborns.                                  | December 2024 |
| Review the appropriateness of price harmonisation of admitted and non-admitted chemotherapy and dialysis. | June 2025     |

**Under the National Health Reform Agreement (NHRA), IHACPA is required to determine the NEP for services provided on an activity basis in public hospitals through empirical analysis of data on actual activity and costs in public hospitals. The NHRA also specifies that IHACPA is responsible for developing, refining and maintaining systems to calculate the NEP and determine adjustments to the NEP to account for legitimate and unavoidable variations in the costs of service delivery.**

IHACPA undertakes an ongoing program of work to refine the national pricing model using an evidence-based approach on the basis of actual activity and cost data.

Based on feedback received during the consultation process for the Pricing Framework for Australian Public Hospitals 2024–25 and through IHACPA’s advisory committees, IHACPA will develop a broader work plan to review a number of adjustments and ensure they remain fit-for-purpose and reflect current clinical practice and service delivery models. The work plan will prioritise review of the intensive care unit adjustment and paediatric adjustment, and their respective eligibility criteria for 2024–25. The work plan will also consider review of other adjustments identified by stakeholders for prioritisation such as the Indigenous and patient remoteness residential and treatment adjustments. The scope and timeframes for the reviews will be outlined in the work plan and informed by stakeholder consultation and available evidence. For 2024–25, IHACPA will also prioritise the review of the funding methodology for unqualified newborns.

In consultation with its advisory committees, working groups and relevant stakeholders, IHACPA will consider other pricing model refinements such as opportunities to harmonise prices for similar services across settings for future Determinations. Pricing model refinements will be assessed on the stability of the underlying data, the suitability of application to the national pricing model and the risk of unintended consequences.

IHACPA will continue to work, in collaboration and consultation with jurisdictions, to investigate the underlying and enduring drivers for growth in the NEP. Based on the findings of this analysis, IHACPA will provide further reform options for consideration by the parties of the NHRA to help increase the efficiency of public hospital services and ensure the sustainability of public hospital funding.

#### **h) Development of Pricing Frameworks for Australian Aged Care Services for 2025–26**

| <b>Deliverable</b>  | <b>Timeframe</b> |
|---|------------------|
| Complete the public consultation process for the Pricing Framework for Australian Residential Aged Care Services 2025–26.                                 | September 2024   |
| Provide the draft Pricing Framework for Australian Residential Aged Care Services 2025–26 to the Australian Government Minister for Health and Aged Care. | March 2025       |
| Publish the final Pricing Framework for Australian Residential Aged Care Services 2025–26 on the IHACPA website.  | August 2025      |

#### **Pricing Framework for Australian Residential Aged Care Services 2025–26**

IHACPA will develop the Pricing Framework for Australian Residential Aged Care Services 2025–26 outlining the principles, scope and methodology to be adopted by IHACPA in providing pricing advice for residential aged care and residential respite care to inform Australian Government decisions on residential aged care.

Development of the Pricing Framework for Australian Residential Aged Care Services includes 3 major phases: a public consultation period, review of the draft Pricing Framework for Australian Residential Aged Care Services by the Australian Government Minister for Health and Aged Care, and publication of the final Pricing Framework for Australian Residential Aged Care Services.

#### **Pricing Framework for Australian Support at Home Aged Care Services 2025–26**

The Support at Home Program is a new program that will consolidate the existing in-home aged care programs. The Home Care Packages (HCP) and the Short-Term Restorative Care (STRC) programs are to be included from 1 July 2025, while the Commonwealth Home Support Programme (CHSP) is to be included no earlier than July 2027. Until July 2027 the CHSP will continue to operate as a grant funded program.

The new program aims to simplify the current system into one funding model and provide older Australians with timely access to safe and high-quality services to allow them to live at home longer.



The timeframes for IHACPA's initial public consultation and development of pricing advice are yet to be confirmed and will be informed by the requirements set out by the Australian Government Minister for Health and Aged Care.

**i) Aged Care Pricing Advice 2025–26**

| Deliverable   | Timeframe  |
|---|------------|
| Provide pricing advice to inform Australian Government decisions on residential aged care and respite care funding for 2025–26. | April 2025 |

**Residential aged care and respite care**

The Australian National Aged Care Classification (AN-ACC) funding model replaced the Aged Care Funding Instrument from 1 October 2022. The AN-ACC model provides funding to approved aged care providers reflective of service location and specialisation and each residents' care needs, through the application of national weighted activity units to the AN-ACC price. IHACPA has informed Australian Government decisions on residential aged care and residential respite care funding since 1 July 2023.

**Support at Home Program**

Under measures announced in the Federal Budget October 2022–23, IHACPA will provide pricing advice to inform Australian Government policy and funding decisions on the Support at Home Program. As announced in the Federal Budget May 2023–24, the Support at Home Program will be implemented from 1 July 2025.

**j) Aged care accommodation pricing functions under the Aged Care Act 1997**

| Deliverable  | Timeframe |
|--|-----------|
| Assess applications for increases to extra service fees under section 35-1(2) of the Aged Care Act 1997  | Ongoing   |
| Assess applications for refundable accommodation deposit amounts above the Australian Government Minister for Health and Aged Care's maximum under section 52G-4(5) of the Aged Care Act 1997. | Ongoing   |

**Aged care accommodation**

IHACPA also has responsibility for the functions previously undertaken by the Aged Care Pricing Commissioner. These include:

- the approval or rejection of increases to extra service fees; and
- the approval or refusal of proposed refundable accommodation deposit amounts that are higher than the maximum amount determined by the Australian Government Minister for Health and Aged Care.

**k) Prostheses List reform**

| Deliverable   | Timeframe |
|---|-----------|
| Provide advice, as requested, to the Australian Government Department of Health and Aged Care to support the Prostheses List reforms. | Ongoing   |

The Prostheses List is a schedule of medical devices and benefits that defines the minimum amount private health insurers are required to pay hospitals that utilise these devices in the provision of care to privately insured individuals. The Prostheses List forms part of the Private Health Insurance (Prostheses) Rules, which is a legislative instrument made under the Private Health Insurance Act 2007.

**Commented [A4]:** ACCPA is concerned with the likelihood of compressed timeframes for adequate deliberations by IHACPA and strongly encourages transparent efforts by the Australian Government to harmonise the SAHP policy design of service items for the SAHP service list and IHACPA pricing advice, as it relates to new Aged Care Act and the Government's response to the Aged Care Taskforce recommendations.

This must include comprehensive consultation with the aged care sector.

Our aim is to minimise any potential care disruption for existing in-home care providers and their care-recipients, as SAHP comes online from mid-2025.

Recommendation 5: That the Australian Government and IHACPA work together closely to ensure a harmonised, transparent and comprehensive consultation approach with the aged care sector on a Pricing Framework for Australian Support at Home Aged Care Services 2025-26.

**Commented [A5]:** ACCPA seeks clarification on this timeframe of April 2025 and not August 2025 - is this preliminary pricing advice? It is imperative that the Fair Work Commission Annual Wage Review decision is accommodated in any pricing determination by the Australian Government based on inclusion of this by IHACPA in its price recommendation.

Recommendation 6: That IHACPA clarify its timing and approach to pricing advice to inform Australian Government decisions on residential aged care and respite care funding for 2025-26 and how it will accommodate the Fair Work Commission Annual Wage Review decision.

**Commented [A6]:** ACCPA supports the pricing role of IHACPA in relation to residential aged care and respite care.

ACCPA reiterates several recommendations of its [Submission](#) to the Independent Health and Aged Care Pricing Authority (IHACPA) Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25 as they relate to appropriate indexation methodology for workforce wages as well as reviews the use of its existing composite CPI methodology to improve its approach to determining indexation in residential aged care.

Recommendation 7: That IHACPA's 2024-25 residential aged care pricing advice also include refinements to its approach to indexation (including wages indexation) that include Recommendations ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being R9 *That IHACPA works with the sector to identify an appropriate indexation methodology for workforce wages that can also account for the timing difference of IHACPA's annual pricing recommendation to Government and the Annual Wage Review indexation decision*, and R10 *That IHACPA reviews the use of its existing composite CPI methodology to improve its approach to determining indexation in residential aged care.*

In 2021, the Australian Government Department of Health and Aged Care commenced four years of reform activity to improve the Prostheses List and its arrangements. These reforms include changes aimed at improving the alignment of the Prostheses List scheduled benefits with prices paid in the public hospital system, streamlining the administration of the list, and better defining the purpose and scope of the Prostheses List. Revisions to the purpose and scope of the Prostheses List aim to provide greater clarity and certainty about which items are eligible for inclusion on the Prostheses List.

To support the implementation of the Prostheses List reforms, IHACPA established a public benchmark price for prostheses in Australian public hospitals. This public benchmark price informed benefit reductions that have been implemented in the Prostheses List.

In December 2022, to further support the Prostheses List reforms, IHACPA provided advice to the Australian Government Department of Health and Aged Care on bundling arrangements for General Use Items on the Prostheses List. This advice supported the private health sector to establish alternative arrangements for the payment of benefits for those items following their removal from the Prostheses List on 1 July 2023.

IHACPA will continue to work with the Australian Government Department of Health and Aged Care and key stakeholders to support the Prostheses List reforms in 2024–25.

## Strategic Objective Two: Refine and develop hospital and aged care activity classification systems

### a) Admitted acute care

| Deliverable  | Timeframe |
|--|-----------|
| Implement the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions and Australian Coding Standards Thirteenth Edition. | July 2025 |
| Release the Australian Refined Diagnosis Related Groups Version 12.0.  | July 2025 |

The classification system used for admitted acute care is the Australian Refined Diagnosis Related Groups (AR-DRG) classification, which is underpinned by the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), the Australian Classification of Health Interventions (ACHI) and the Australian Coding Standards (ACS), collectively known as ICD-10-AM/ACHI/ACS. These classifications are refined over a 3 year development cycle.

IHACPA commenced development of ICD-10-AM/ACHI/ACS Thirteenth Edition and AR-DRG Version 12.0 (AR-DRG V12.0) in 2022–23.

ICD-10-AM/ACHI/ACS Thirteenth Edition incorporates the development of a cluster identifier (metadata that indicates the relationship between codes) for use in admitted episodes of care, a major review of the ACS to streamline and reduce ambiguity in the existing guidelines by applying a standardised format, review of procedural complications, addition of codes for new or missing concepts, including new codes for use of vaping device and voluntary assisted dying, further refinements to the classification of social factors and revised classification for organ donation, procurement and transplantation.

For AR-DRG V12.0, work is progressing to review interventions that inform grouping to the intervention partition (known as general interventions) through development of guiding principles for consistent application and a major review of the DRGs for Major Diagnostic Category 14 *Pregnancy, Childbirth and the Puerperium* to better support clinical coherence and cost homogeneity and introduction of an Adjacent DRG for posthumous organ procurement.

IHACPA anticipates that ICD-10-AM/ACHI/ACS Thirteenth Edition will be implemented and used for pricing from 1 July 2025. AR-DRG Version 12.0 is planned for release on 1 July 2025 and is expected to be used for pricing from 1 July 2026.

### b) Subacute and non-acute care

| Deliverable  | Timeframe |
|--|-----------|
| Refine the Australian National Subacute and Non-Acute Patient Classification | Ongoing   |

The Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 5.0 was released in December 2021, and has been used to price subacute and non-acute services for the National Efficient Price Determination 2024–25 (NEP24).

AN-SNAP Version 5.0 was developed through detailed statistical analysis and consultation with jurisdictions, clinical experts and other subacute and non-acute care stakeholders. AN-SNAP Version 5.0 represents a modest refinement of AN-SNAP and introduces a new variable to recognise frailty as a cost driver for geriatric evaluation and management and non-acute episodes of care.

IHACPA recognises frailty as a key driver of higher complexity and costs across all care streams, and will work with stakeholders to investigate opportunities to capture frailty as a measure of patient complexity through classifications development programs including a review of the literature.

IHACPA continues to investigate the Rockwood Clinical Frailty Scale and the Functional Independence Measure for Children (WeeFIM™) as drivers of cost for classification purposes, prior to consideration of inclusion in the national best endeavours data set for future years and will progress this work through the Subacute Care Working Group.

#### c) Emergency care

| Deliverable  | Timeframe      |
|--|----------------|
| Release the Australian Emergency Care Classification Version 1.1                               | September 2024 |
| Implement the Emergency Care ICD-10-AM Principal Diagnosis (EPD Short List) Thirteenth Edition | July 2025      |
| Refine the data request specifications for emergency virtual care                              | Ongoing        |

**In late 2018, IHACPA finalised the Australian Emergency Care Classification (AECC) Version 1.0. The AECC Version 1.0 was approved by the Pricing Authority in July 2019 and used to price emergency department activities from 1 July 2021.**

IHACPA identified the need to update the AECC due to annual improvements in data volume, quality, and coverage. In consultation with jurisdictions and specialist stakeholders, IHACPA developed the AECC Version 1.1 through detailed statistical analysis of national public hospital activity and cost data. The AECC Version 1.1 included a recalibration of the complexity model inclusive of updating the numerical values used to assign an AECC end class complexity level (i.e. high, moderate or low complexity) to emergency care episodes. IHACPA intends to release the AECC Version 1.1 in September 2024.

The Emergency Care ICD-10-AM Principal Diagnosis (EPD Short List) Thirteenth Edition work program includes refinement areas such as review of aggregated ICD-10-AM mapping to EPD Short List, possible addition of new codes due to ICD-10-AM Thirteenth Edition expansion and to accommodate emergency care presentations commonly seen in remote and rural settings. IHACPA is planning to implement the EPD Short List Thirteenth Edition on 1 July 2025 to coincide with the implementation of ICD-10-AM Thirteenth Edition.

IHACPA will continue to support states and territories to improve data collection and reporting of existing variables along with future refinement of the classification. This includes progressing work to review diagnosis mapping to Emergency Care Diagnosis Groups, better accounting for paediatric complexity and the collection of intervention data in the Non-admitted patient emergency department care national minimum data set.

IHACPA has undertaken individual consultations with a number of stakeholders to determine the models of virtual care currently being delivered in emergency departments. In 2024–25 IHACPA will continue to analyse the data collected through the emergency virtual care data submission project and refine the data request specifications for emergency virtual care.

#### d) Non-admitted care

| Deliverable   | Timeframe |
|---|-----------|
| Continue to refine the Tier 2 Non-Admitted Services Classification.   | Ongoing   |
| Undertake a multi-stage project to support the development of a new patient level non-admitted care classification. | June 2025 |

**The Tier 2 Non-Admitted Services Classification categorises non-admitted services into classes that are generally based on the nature of the service provided and the type of clinician providing the service.**

**A new non-admitted care classification will better describe patient characteristics and complexity of care to more accurately reflect the costs of non-admitted services. The new classification will account for changes in how care is delivered and, as electronic medical records evolve, will enable more detailed data capture to support testing of new funding models across multiple settings.**

In 2023, the work to develop a new non-admitted care classification recommenced through the Australian Non-Admitted Patient Classification Project (ANAPP). The ANAPP aims to determine a method to extract and utilise data items from state and territory electronic medical record systems, other relevant information systems and applicable cost data to develop a comprehensive activity and cost data set. Rigorous statistical analysis will then be conducted to develop a new non-admitted care services classification. The ANAPP is comprised of 4 stages with a stage gate following each stage. Progression to future stages is dependent on IHACPA’s review of outputs, findings, and recommendations from each stage:

- Stage 1: Investigation and consultation
- Stage 2: Proof-of-concept
- Stage 3: Data collection and final data sets
- Stage 4: Analysis and classification development.

While work is undertaken to develop a new non-admitted care classification, IHACPA will continue to refine the Tier 2 Non-Admitted Services Classification (Tier 2) in consultation with jurisdictions. Tier 2 Version 9.0 was used to price non-admitted care for NEP24.

**e) Mental health care**

| Deliverable  | Timeframe |
|--|-----------|
| Commence development of the Australian Mental Health Care Classification Version 2.0 | July 2024 |

**The Australian Mental Health Care Classification (AMHCC) Version 1.0 was approved by the Pricing Authority in February 2016 and has been used to price admitted mental health care since 1 July 2022.**

In 2023–24 IHACPA worked with jurisdictions and key stakeholders to transition community mental health care from block funding to ABF. On the basis of jurisdictional feedback and to further enable jurisdictional readiness for the transition, the Pricing Authority approved a fourth and final year of shadow pricing for community mental health care for 2024–25. Funding community mental health care through ABF enables better alignment of funding to the complexity, type and amount of care provided to consumers. This transition will also facilitate better identification of the costs of providing these services over time and drive ongoing improvements in data collection and pricing.

Due to improvements in national mental health data, IHACPA identified a need to update the AMHCC. IHACPA developed the AMHCC Version 1.1 through detailed statistical analysis of public hospital activity and cost data, as well as consultation with jurisdictions, clinical experts and other mental health care stakeholders.

The AMHCC Version 1.1 includes updates to the complexity model that better capture national mental health activity and cost data trends using the latest 3 years of mental health care data. It also incorporates changes to align with Mental Health National Outcomes and Casemix Collection protocols, allowing phases with up to 2 missing Health of the Nation Outcome Scales (HoNOS) items to receive a valid complexity score and a High or Moderate HoNOS complexity grouping.

IHACPA released AMHCC Version 1.1 including supporting material in December 2023.

In 2024–25, IHACPA will commence development of AMHCC Version 2.0 and will consider areas for refinement, such as reviewing age restrictions in HoNOS selection, reviewing the application of Mental Health Legal Status and consideration of electroconvulsive therapy in consultation with jurisdictions and other stakeholders.

#### f) Teaching, training and research

| Deliverable   | Timeframe |
|---|-----------|
| Continue to work with jurisdictions to implement the Australian Teaching and Training Classification. | Ongoing   |

#### The addendum requires IHACPA to provide advice on the feasibility of transitioning funding for teaching, training and research from block funding to ABF. The Australian Teaching and Training Classification (ATTC) Version 1.0 was released in July 2018.

IHACPA has developed the ATTC as a national classification for teaching and training activities that occur in public hospitals. The ATTC aims to provide a nationally consistent approach to how teaching and training activities are classified, counted and costed.

The ATTC will improve reporting of hospital-based teaching and training activities and in the future improve the transparency of funding. State and territory governments broadly support ATTC but note there are challenges related to its implementation, such as the availability of activity and cost data.

In 2024–25, IHACPA will continue to work with jurisdictions to increase awareness of the ATTC and improve the reporting of activity and cost data to support implementation.

Research is not incorporated into the ATTC and IHACPA is not proposing any further work to develop a research classification.

#### g) Sales of the admitted acute care classification system

| Deliverable   | Timeframe |
|---|-----------|
| Manage the international sales of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions, Australian Coding Standards (ICD-10-AM/ACHI/ACS) and the Australian Refined Diagnosis Related Groups (AR-DRG) Classification Systems. | Ongoing   |
| Certify AR-DRG groupers of licensed software vendors.   | Ongoing   |

IHACPA assumed responsibility for managing the development, international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system as the custodian of the Australian Government's Intellectual Property in ICD-10-AM/ACHI/ACS and AR-DRGs in 2012–13.

In 2024–25, IHACPA will update its agreement documents to ensure currency and continue to manage the international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system.

#### h) Assessment of new health technologies

| Deliverable   | Timeframe |
|---|-----------|
| Assess submissions for new health technologies in order to ensure they are adequately accounted for in the pricing of public hospital services. | Ongoing   |

Under the [New Health Technology Policy](#), IHACPA accepts submissions from state and territory governments, advisory bodies and other stakeholders on an ongoing basis to facilitate the timely identification of new health technology and reduce duplication of processes. The [New Health Technology Policy](#) also includes the process for the activation of placeholder codes, which have been established as part of the update to ACHI Twelfth Edition, to enable the temporary codification of new health technology while awaiting classification development.

Clauses C11 and C12 of the addendum contain specific arrangements for the Medical Services Advisory Committee (MSAC) to review new high cost, highly specialised therapies recommended for delivery in public hospitals. IHACPA will support the inclusion of these technologies in the NEC based on the advice from MSAC and the Australian Government Department of Health and Aged Care. The *New Health Technology Policy* outlines the eligibility criteria, scope and reporting requirements for high cost, highly specialised therapies.

In 2024–25, IHACPA will continue to monitor and review the impact of new health technologies on the existing classifications based on reports from state and territory governments, advisory bodies and other stakeholders and, where required, refer new health technologies for classification development.

**i) Residential aged care**

| Deliverable   | Timeframe |
|---|-----------|
| Recommend refinements to the Australian National Aged Care Classification | Ongoing   |

**The Australian National Aged Care Classification (AN-ACC) funding model replaced the Aged Care Funding Instrument from 1 October 2022. The AN-ACC model provides funding to approved aged care providers reflective of service location and specialisation and each residents' care needs through the application of national weighted activity units to the AN-ACC price.**

As cost and resident data is collected and improved, IHACPA will review and recommend refinements to the AN-ACC, in consultation with its advisory committees and working groups.

**Commented [A7]:** ACCPA supports this ongoing role for IHACPA in relation to the AN-ACC funding model.

ACCPA reiterates several recommendations of its [Submission](#) to the Independent Health and Aged Care Pricing Authority (IHACPA) Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024-25 as they relate to AN-ACC including providing care to certain types of residents, adequacy of respite funding rates, and a weighted approach to the fixed component of the AN-ACC to make adjustment for services in MMM categories 2-7, not just those in MMM 5-7.

Recommendation 8: That IHACPA's 2024-25 residential aged care pricing advice also include refinements to AN-ACC that include consideration of ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being R6 *That IHACPA undertakes further costing work to accurately identify the cost of providing care to residents: • who are mobile but cognitively impaired; • with mental health challenges; • with a history or drug or alcohol issues; • at risk of homelessness; • who display responsive behaviours; and/or • who require complex wound management. This work should inform IHACPA's pricing advice for the AN-ACC classes for its 1 July 2024 pricing advice, as well as future reviews of the AN-ACC classes and R13 That the fixed component of the AN-CC payment should make adjustment for services in MMM categories 2-7, not just those in MMM 5-7. These adjustments should be weighted so that services in the most remote locations receive the greatest subsidy.*



## Strategic Objective Three: Refine and improve hospital and aged care costing

### a) Australian Hospital Patient Costing Standards

| Deliverable  | Timeframe |
|--|-----------|
| Promote ongoing improvement and consistency in cost data submissions through refinement of the Australian Hospital Patient Costing Standards, Business Rules and Costing Guidelines. | Ongoing   |

**The Australian Hospital Patient Costing Standards (AHPCS) are published for those conducting national costing activities, to promote consistency in data submissions. The AHPCS provide the framework for regulators, funders, providers and researchers for the cost data collection.**

The Independent Health and Aged Care Pricing Authority (IHACPA) released the AHPCS Version 4.2 in September 2023 for implementation for the 2022–23 National Hospital Cost Data Collection (NHCDC) submissions. In 2024–25, IHACPA will continue to update the AHPCS and through consultation with jurisdictions will identify and prioritise target areas for review. This may include the cost bucket matrix, and costing guidelines relevant to mental health care and non-admitted patient activity.

### b) National Hospital Cost Data Collection for public and private hospitals

| Deliverable  | Timeframe    |
|--|--------------|
| Release the 2022–23 National Hospital Cost Data Collection public sector report.             | January 2025 |
| Release the 2022–23 National Hospital Cost Data Collection private sector report.            | January 2025 |
| Collect the 2023–24 National Hospital Cost Data Collection for public and private hospitals. | June 2025    |

**In 2024–25, IHACPA will continue to collect and analyse the NHCDC and will continue to develop a stronger compliance framework in conjunction with the NHCDC Advisory Committee.**

The 2022–23 NHCDC public sector report will present the public hospital costs submitted by state and territory governments for the admitted acute, subacute and non-acute, emergency department, mental health and non-admitted activity streams.

The 2022–23 NHCDC private sector report will present the results from a voluntary collection of private hospital cost and activity information for the admitted acute stream.

### c) National Hospital Cost Data Collection quality

| Deliverable   | Timeframe    |
|---|--------------|
| Release an assessment of the 2022–23 National Hospital Cost Data Collection.                    | January 2025 |
| Develop a data quality framework to support National Hospital Cost Data Collection submissions. | June 2025    |

**IHACPA will work with jurisdictions to design and implement an appropriate methodology for the National Hospital Cost Data Collection process in future years.**

In previous years, the Independent Financial Review has been an annual component of the NHDC cycle. IHACPA commissioned an independent body to review the public sector data provided by state and territory governments, with a specific focus on hospitals' financial reconciliations and consistent application of the AHPCS.

After receiving the 2021–22 NHDC data, IHACPA held bilateral meetings with each state and territory government to understand the compliance of the 2021–22 NHDC submissions with the AHPCS.

#### d) Costing private patients in public hospitals

| Deliverable  | Timeframe |
|--|-----------|
| Investigate phasing out the private patient correction factor. | June 2025 |

**The collection of private patient medical expenses has previously been problematic in the NHDC. For example, there is a common practice in some states and territories of using Special Purpose Funds to collect associated revenue (such as the Medicare Benefits Schedule) and reimburse medical practitioners.**

The private patient correction factor was introduced as an interim solution for the issue of missing private patient costs in the NHDC. Submissions in response to previous consultation papers on the Pricing Framework for Australian Public Hospital Services have supported phasing out the private patient correction factor when feasible and the correction factor was removed for the Northern Territory for the National Efficient Price Determination 2021–22.

In 2024–25, IHACPA will continue to evaluate the private patient correction factor and remove it where appropriate.

#### e) Australian Aged Care Cost Data Collection

| Deliverable  | Timeframe     |
|--|---------------|
| Collect Residential Aged Care Cost Collection 2024 data.                     | December 2024 |
| Undertake the Residential Aged Care Specialised Services Costing Study       | December 2024 |
| Release the Residential Aged Care Cost Collection 2024 Report.               | February 2025 |
| Release the Residential Aged Care Specialised Services Costing Study Report. | February 2025 |
| Collect Support at Home Aged Care Costing Study data.                        | December 2024 |
| Release the Support at Home Aged Care Cost Data 2024 Report.                 | February 2025 |
| Continue the development of the Australian Aged Care Costing Standards.      | June 2025     |

#### Residential Aged Care Cost Collection

To inform the development and refinement of the AN-ACC funding model, IHACPA will conduct annual cost collection in the residential aged care setting. The purpose of the collection is to collect a representative sample of cost data reflecting the care activities that residents of aged care facilities receive, across a variety of residential aged care facilities. The results and findings from the cost collection will inform the development of a costing framework, costing methodology, data sets and related materials and processes, which will support IHACPA's pricing advice on residential aged care.

IHACPA will engage with relevant stakeholders to determine priorities for consideration, such as residential respite, in future costing studies to inform the refinement of the AN-ACC funding model.

### Residential Aged Care Specialised Services Costing Study

To inform the refinement of the AN-ACC funding model, IHACPA intends to commence additional costing studies to refine cost drivers such as specialised clinical services and individual resident demographics. These key areas will be identified and prioritised through both responses to the consultation, as well as from outcomes from the larger, general Residential Aged Care Cost Collection.

### Support at Home Costing Study

To inform the development of pricing advice for the service list for the new Support at Home Program, IHACPA has commenced a Support at Home costing study. The purpose of the study is to collect a representative sample of cost and activity data from providers, that is reflective of the anticipated Support at Home service list that will form the price schedule of the new Support at Home Program. The results and findings from this costing study will feed into the development of a costing framework, costing methodology and data sets, all of which will support IHACPA in developing pricing advice on the Support at Home Program and provide a foundation to underpin future costing studies.

### Development of the Australian Aged Care Costing Standards

In 2024–25, IHACPA will continue to develop costing standards and, where required, business rules and guidelines to guide the allocation of resident level costs. The Australian Aged Care Costing Standards will be incorporated into the residential aged care costing study and inform the development of the residential aged care pricing advice for 2025–26 and 2026–27.

### f) Costing studies for public hospital services

| Deliverable  | Timeframe |
|--|-----------|
| Continue the investigation of organ donation, retrieval and transplantation costs. | Ongoing   |

**To support the NHCDC, IHACPA undertakes a wide range of separate costing studies. Costing studies are undertaken in areas of the NHCDC that are still in their infancy or where there is considerable stakeholder feedback to investigate costing in a certain area within the health system.**

IHACPA and state and territory stakeholders have recognised the need to appropriately cost organ donation, retrieval and transplantation since 2014, and introduced a number of support strategies.

In 2023–24, IHACPA worked with jurisdictions to develop a project plan for progressing the work to better account for organ donation, retrieval and transplantation activity and costs.

In 2024–25, IHACPA will continue work to develop a schema to facilitate gap analysis and provide an overview of the entire organ procurement journey from initial potential donor screening through to post-transplantation care.

**Commented [A8]:** ACCPA supports this project for IHACPA in relation to informing the refinement of the AN-ACC funding model.

ACCPA reiterates several recommendations of its [Submission](#) to the Independent Health and Aged Care Pricing Authority (IHACPA) Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024–25 as they relate to AN-ACC including providing care to certain types of residents, including those • who are mobile but cognitively impaired; • with mental health challenges; • with a history or drug or alcohol issues; • at risk of homelessness; • who display responsive behaviours; and/or • who require complex wound management.

Recommendation 9: That IHACPA's 2024-25 Residential Aged Care Specialist Services Costing Study include consideration of ACCPA's [Submission](#) on the Pricing Framework for Australian Residential Aged Care Services 2024-25 being R6 *That IHACPA undertakes further costing work to accurately identify the cost of providing care to residents: • who are mobile but cognitively impaired; • with mental health challenges; • with a history or drug or alcohol issues; • at risk of homelessness; • who display responsive behaviours; and/or • who require complex wound management. This work should inform IHACPA's pricing advice for the AN-ACC classes for its 1 July 2024 pricing advice, as well as future reviews of the AN-ACC classes.*

**Commented [A9]:** It is imperative that there is sector consultation on the anticipated Support at Home service list being used by IHACPA to ensure the sector can provide information about pricing from the perspective of aged care providers.

Recommendation 10: That the 'anticipated Support at Home service list' being used by IHACPA's Support at Home costing study is made transparent as part of consultation on the Pricing Framework for Australian Support at Home Aged Care Services 2025–26.

## Strategic Objective Four: Determine data requirements and collect data

### a) Revision of the Three Year Data Plan

| Deliverable  | Timeframe |
|--|-----------|
| Publish the Three Year Data Plan 2025–26 to 2026–27. | June 2025 |

The Independent Health and Aged Care Pricing Authority’s (IHACPA) Three Year Data Plan communicates the data requirements, data standards and timelines that IHACPA will use to collect data from jurisdictions over the coming three years.

IHACPA supports the concept of ‘single provision, multiple use’ of information to maximise data provision efficiency and continues to align its rolling Three Year Data Plan with the National Health Funding Body’s data plan to support this aim.

In 2024–25, IHACPA will update the Three Year Data Plan, including data collection requirements for both public hospital and aged care services, and provide it to the Health Chief Executives Forum and the Health Ministers’ Meeting for consideration.

**Commented [A10]:** Will this update be informed by sector engagement including with aged care providers?

Recommendation 11: That IHACPA clarify the process for its update of the Three Year Data Plan and how sector engagement will be undertaken and incorporated.

### b) Data specification development and revision

| Deliverable   | Timeframe     |
|---|---------------|
| Complete the annual review of activity based funding national best endeavours data sets and national minimum data sets. | December 2024 |
| Investigate development of a Data Request Specification for collection of organ procurement activity data               | June 2025     |

**IHACPA completes an annual review of the ABF national best endeavours data sets and national minimum data sets to incorporate data elements required for ABF with existing data collections.**

In 2024–25, IHACPA will work with state and territory governments to investigate the feasibility of developing a of a separate Data Request Specification for collection of supplementary organ procurement activity data in 2025–26, based on the results of gap analysis.

IHACPA will also continue to work closely with the national health data committees to incorporate new elements as required for classification development, and to consolidate existing data collections.

### c) Cluster coding for admitted patient care data

| Deliverable  | Timeframe |
|--|-----------|
| Implement cluster coding into admitted patient care data sets. | July 2025 |

Cluster coding is a method that links related classification codes together. Over 80 per cent of the episodes reported in admitted patient care per year use multiple classification codes to classify hospital activity. Understanding the relationships between these codes, documented in the patient’s health care record, allows health services, policy makers and researchers to understand this activity more clearly and make evidence-based decisions.

Cluster coding is a mechanism of linking related diagnosis codes using the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), through use of a diagnosis cluster identifier (DCID) that will enhance the value of coded data. Clustering increases the understanding of activity data and provides more powerful information for end users by: identifying relationships between codes, enhancing safety and quality reporting and reporting of chronic conditions, reducing assumptions when interpreting data, supporting future funding models and preparing for a potential future implementation of ICD-11, where clustering is a feature.

In 2024–25, IHACPA will continue to work with state and territory governments and key stakeholders to implement the DCID into the Admitted patient care National Minimum Data Set for 2025–26.

#### d) Improvements to data submission, loading and validation processes

| Deliverable  | Timeframe |
|--|-----------|
| Further develop the Secure Data Management System functionality. | Ongoing   |
| Maintain the security of the Secure Data Management System.      | Ongoing   |

**In 2017, IHACPA implemented the Secure Data Management System (SDMS), which comprised a data submission portal, data validation process, data storage and data analytics platform. This system has introduced greater flexibility of file upload specifications, faster validation and reporting, and enhanced capabilities for jurisdictions to track and manage their submission process.**

Commencing July 2022, IHACPA undertook a program of work to update the core components of the SDMS. In July 2023, IHACPA launched a new File Transfer Portal, Citrix desktop, and Data Portal. Further enhancements are expected to improve the robustness and speed of data submission, loading and validation on the SDMS. IHACPA also has an ongoing cyber security management program to ensure that the SDMS is maintained in line with relevant security standards. IHACPA will continue working with key stakeholders to enhance the data submission portals in the SDMS.

#### e) Collection of activity based funding activity data for public hospitals

| Deliverable   | Timeframe      |
|---|----------------|
| Collect jurisdictional submissions for March quarter 2024 activity based funding activity data.     | June 2024      |
| Collect jurisdictional submissions for June quarter 2024 activity based funding activity data.      | September 2024 |
| Collect jurisdictional submissions for September quarter 2024 activity based funding activity data. | December 2024  |
| Collect jurisdictional submissions for December quarter 2024 activity based funding activity data.  | March 2025     |

**During 2024-25, for public hospital services, IHACPA will continue its collection of ABF activity data on a quarterly basis and sentinel events data on a biannual basis. Teaching, training and research and hospital cost data provided through the NHCDC will continue to be reported on an annual basis.**

Based on quarterly data collections, IHACPA will undertake activity analysis that will be used to monitor the impact of the NEP pricing model on the hospital system.

#### f) Data compliance

| Deliverable  | Timeframe      |
|--|----------------|
| Publish data compliance report for March quarter 2024.     | September 2024 |
| Publish data compliance report for June quarter 2024.      | December 2024  |
| Publish data compliance report for September quarter 2024. | March 2025     |
| Publish data compliance report for December quarter 2024.  | June 2025      |

**IHACPA publishes details of jurisdictional compliance with data requirements as required by clause B81 of the addendum. Both ABF hospital activity and cost data collections are assessed in accordance with IHACPA's *Data Compliance Policy*. All data compliance reports are publicly available on the IHACPA website.**

As outlined in the addendum, from 1 July 2017, jurisdictions will be required to provide IHACPA and the Administrator of the National Health Funding Pool (the Administrator) with a 'Statement of Assurance' on the completeness and accuracy of approved data submissions. This is outlined in more detail in the Three Year Data Plan.

#### g) Promoting access to public hospital data

| Deliverable  | Timeframe |
|--|-----------|
| Continue to promote access to data through the National Benchmarking Portal. | Ongoing   |

**The National Benchmarking Portal (NBP) is a secure web-based application that allows users to compare cost and activity from hospitals around the country. It provides users the ability to compare differences in activity, cost and efficiency at similar hospitals using national weighted activity units (NWAU).**

IHACPA provided public access to the NBP from July 2022. The NBP includes insights into the data collected between 2017–18 and 2020–21. Information such as total NWAU, cost per NWAU and total costed records are available to facilitate analysis at the state and territory, local hospital network and hospital level across the patient service categories.

In 2023–24, IHACPA introduced two new dashboards to the NBP relating to hospital acquired complications and avoidable hospital readmissions. In 2024–25, IHACPA will update the existing dashboards to include data for 2021–22.

IHACPA will continue working with jurisdictions and key stakeholders to enhance the functionality of, and data sets available through, the NBP.

## Strategic Objective Five: Investigate and make recommendations concerning cost-shifting and cross-border disputes

### a) Investigate and make an assessment or recommendation on cost-shifting and cross-border disputes

| Deliverable  | Timeframe |
|--|-----------|
| Investigate and make recommendations on cross-border disputes. | Ongoing   |
| Investigate and make an assessment on cost-shifting disputes.  | Ongoing   |

As outlined in Part 4.3 of the *National Health Reform Act 2011*, the Independent Health and Aged Care Pricing Authority (IHACPA) has a role to investigate and make recommendations to resolve cross-border disputes and to make assessments to resolve cost-shifting disputes, when requested to do so by a state or territory health minister.

IHACPA developed the [Cost-Shifting and Cross-Border Dispute Resolution Policy](#) to guide timely, equitable and transparent processes to investigate both cross-border and cost-shifting disputes.

The *Cost-Shifting and Cross-Border Dispute Resolution Policy* is reviewed regularly in consultation with all jurisdictions to ensure it remains current to sufficiently support IHACPA's cross-border and cost-shifting dispute resolution role.



## Strategic Objective Six: Conduct independent and transparent decision-making and engage with stakeholders

### a) Monitor and evaluate the implementation of activity based funding for public hospital services

| Deliverable  | Timeframe |
|--|-----------|
| Provide quarterly activity based funding activity data reports to the Pricing Authority and Jurisdictional Advisory Committee. | Ongoing   |

In 2024–25, the Independent Health and Aged Care Pricing Authority (IHACPA) will continue to monitor changes in the mix, distribution and volume of public hospital services each quarter, and conduct an annual analysis of the impacts of activity based funding (ABF) implementation on the delivery of public hospital services through the ABF Monitoring Framework.

Consistent with clause A31 of the Addendum to the National Health Reform Agreement 2020–25, should IHACPA identify anomalies in service volumes or other data that suggest that services have been transferred from the community to public hospitals for the dominant purpose of making that service eligible for Commonwealth funding, IHACPA will in the first instance consult with the state or territory in question to ascertain what underlying factors may be driving movements in service volumes.

### b) Evidence-based activity based funding related research

| Deliverable  | Timeframe      |
|--|----------------|
| Publish evidence-based activity based funding related research and analysis.   | Ongoing        |
| Provide advice to states and territories on proposals for the trial of innovative funding models and models of care.                       | Ongoing        |
| Undertake a horizon scan of Australian and international virtual models of service delivery and care, and associated funding arrangements. | September 2024 |

In accordance with clause B31 of the addendum, IHACPA may undertake research. Evidence-based research plays a significant role in the ongoing advancement of ABF in Australia. This is particularly the case in improving the understanding of the relationship between public hospital activity and costs in all care settings.

As required, IHACPA will conduct ABF related research that furthers the understanding and implementation of ABF, particularly in relation to classifications, coding standards and pricing methodologies. As a result, IHACPA will be better positioned to determine a NEP that accurately reflects the costs experienced by Australian public hospitals.

#### Publication of ABF related research

IHACPA considers that broadening access to its data and publication of analysis using the data would benefit work to develop and evaluate health policy and programs by researchers, clinical groups and peak bodies and would serve the interests of transparency.

IHACPA will continue to work with stakeholders to improve access to hospital data, including developing appropriate safeguards and identifying opportunities that all parties are agreeable to in the release of data and/or publications to third parties.

### Innovative funding models and models of care

The addendum and the Pricing Guidelines include provisions for IHACPA to consider the impact on its work of evidence-based, effective new technologies and innovations in models of health care. IHACPA maintains a watching brief on emerging trends in health care to ensure that the current ABF framework can accommodate new and alternate approaches to public hospital funding and service delivery.

While ABF has increased the transparency of hospital services and costs, it has the potential to incentivise more activity or to admit patients instead of focusing on hospital avoidance and patient outcomes. Consequently, there is an increased need to focus on delivering value-based health care aimed at improving patient outcomes and experiences.

Schedule C of the addendum contains key references to paying for value and outcomes through supporting innovative models of care and trialling new funding arrangements.

In 2024–25, IHACPA will continue to work closely with jurisdictions and clinical experts to facilitate the implementation pathway for trialling state and territory nominated innovative funding models.

### Virtual models of care

IHACPA is undertaking a program of work to gain a better understanding of virtual care activity, costs, modes of service delivery and models of care in Australia, including variations across jurisdictions and international virtual care funding arrangements in similar health systems. The project will include a horizon scan to facilitate the development of a national strategy for improved integration of virtual care into the Australian public hospital system, including in the pricing and funding for public hospital services. As such, this project is likely to identify areas for further work, including potential refinements to data collections, costing, classification and pricing, that are not yet reflected in this document.

**Commented [A11]:** This would also be beneficial for aged care.

Recommendation 12: That IHACPA consider a program of work on the relationship of innovative funding models and models of care including undertaking sector engagement.

**Commented [A12]:** This would also be beneficial for aged care, noting MYEFO 2023 funding of '\$85.6m over four years (and \$10.8m ongoing) to develop and test a framework for the delivery of virtual nursing support in aged care, and for refinements and ongoing operation of the 24/7 registered nurses and care minutes requirements'

Recommendation 13: That IHACPA consider a program of work on the role of virtual models of care in aged care including undertaking sector engagement.

### c) Support activity based funding education at a national level

| Deliverable  | Timeframe |
|--|-----------|
| Implement strategies, tools and working papers to ensure that IHACPA is providing information that will support its advisory committees, working groups and jurisdictions. | Ongoing   |
| Deliver the IHACPA Summit 2024.  | July 2024 |
| Develop and promote educational materials and resources to educate, inform and engage stakeholders about IHACPA's work program and the health care system.                 | Ongoing   |

### IHACPA recognises that the responsibility for ABF education rests with states and territories as the managers of the public hospital system.

In 2024–25, IHACPA will continue to implement strategies to ensure that it is providing information that will support its stakeholders and guide ABF education activities, through the provision of education tools and resources.

Since 2012, IHACPA has held an annual conference aimed at delivering high-quality education on IHACPA's program of work and the underlying classification, costing and data collection systems. The conferences included major plenary sessions, concurrent smaller presentations, workshops and training and networking activities and provided delegates with the opportunity to hear from international peers.

In 2024, IHACPA will host an executive leadership summit in lieu of a conference, enabling IHACPA to continue its engagement.

As part of its educational offerings for local and international health professionals, IHACPA has released a number of educational materials and resources, including an educational webinar series, fact sheets and education modules for the classification streams.

Since 2021, IHACPA has released regular webinars designed to educate interested local and international health professionals. Each session has been delivered through an interactive portal and addresses key learning outcomes, highlighting the fundamental building blocks relating to ABF and where stakeholders' roles fit within the lifecycle of the various IHACPA projects.

IHACPA also releases fact sheets to support health professionals and the general public in learning more about IHACPA's role in the pricing and funding of public hospital services and its expanded functions in aged care costing and pricing.

IHACPA's educational offerings are enhanced by the educational resources on the [IHACPA Learn platform](#) to support the implementation of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions and Australian Coding Standards (ICD-10-AM/ACHI/ACS) Twelfth Edition and the Australian Refined Diagnosis Related Groups (AR-DRG) Version 11.0. In 2022, IHACPA also released [education materials](#) for the Australian Mental Health Care Classification Version 1.0.

<https://learn.ihacpa.gov.au/>In 2024–25, IHACPA will develop and deploy education modules on IHACPA Learn for ICD-10-AM/ACHI/ACS Thirteenth Edition and AR-DRG Version 12.0. IHACPA will continue to develop and promote other educational materials and resources for health and aged care stakeholders.

# 3. Operating context

The Independent Health and Aged Care Pricing Authority's (IHACPA) operating context, including environment, capability, cooperation and collaboration, enterprise risk and performance measures are outlined below.

## 3.1 Environment

IHACPA operations are influenced by advances in technology that enable digitisation, automation and visualisation. International and Australian developments in standards, best practice and research continuously inform policy and practice.

## 3.2 Capability

### Human resources

IHACPA continues to place great value in creating a more productive and inclusive workplace and is committed to the recruitment and retention of a diverse workforce. IHACPA supports a flexible work environment and will continue to support all staff to optimise balance between their work performance and outside factors.

The volume of highly technical work conducted by IHACPA requires significant specialist workforce capability. IHACPA's workforce planning strategies will continue to emphasise both core public sector skills and the enhancement of the expert skills IHACPA requires to meet its pricing and funding objectives.

IHACPA will also continue to strengthen its management and leadership teams by enhancing performance feedback and providing targeted learning and development programs.

The key focus areas for 2024–25 include continuing to:

- develop capability through attendance at internal and external training opportunities
- monitor staff turnover rates and give genuine consideration to feedback provided through the annual Australian Public Service 'State of the Service' report
- support flexible working arrangements and agile work practices.

### Infrastructure

In 2024–25, IHACPA will continue to enhance infrastructure to support the national activity based funding system by:

- developing and refining new and existing public hospital and residential aged care activity classifications through specialist input from clinicians and other stakeholders
- establishing and maintaining national costing standards
- developing and maintaining standards for activity data collections, including the annual publication of the Three Year Data Plan
- publishing a quarterly report outlining jurisdictional compliance with the data requirements and data standards as set out in the Three Year Data Plan.

### Information and communication technology

Information and communication technology are essential to IHACPA's core business and performance. It enables data analysis, digitisation, automation, visualisation, engagement and a highly mobile and flexible workforce. Robust measures are in place to continuously maintain, test and upgrade data security.

IHACPA will continue to utilise secure cloud capabilities to deliver its Secure Data Management System (SDMS) and other secure information-based systems. The SDMS allows jurisdictions to securely submit data to IHACPA, and for IHACPA to securely retain this information while intensive analysis is undertaken and eliminates the risk of unauthorised data transfer on portable devices.

### 3.3 Cooperation and collaboration

IHACPA works with stakeholders from government agencies, research and educational facilities, the community and industry. This is achieved through consultative and advisory committees and working groups with expertise in specialised fields enabling a knowledge pipeline for technical advances and best practice innovation. IHACPA's advisory committee and working group structure is illustrated in **Table 1**.

**Table 1. List of IHACPA committees and working groups**

| Governing body  |
|---|
| Pricing Authority   |
| Committees  |
| Aged Care Advisory Committee  |
| Clinical Advisory Committee   |
| Jurisdictional Advisory Committee                                   |
| National Hospital Cost Data Collection Advisory Committee           |
| Stakeholder Advisory Committee                                      |
| Technical Advisory Committee  |
| Working groups  |
| Classifications Clinical Advisory Group                             |
| Diagnosis Related Groups Technical Group                            |
| Emergency Care Advisory Working Group                               |
| International Classification of Diseases Technical Group            |
| Mental Health Working Group   |
| National Hospital Cost Data Collection Private Sector Working Group |
| Non-admitted Care Advisory Working Group                            |
| Small Rural Hospitals Working Group                                 |
| Subacute Care Working Group   |
| Teaching, Training and Research Working Group                       |

### 3.4 Enterprise risk

Since the agency's formation in 2011, IHACPA has established a robust system of risk management and controls to assist in its governance. IHACPA's governing body, the Pricing Authority, delivers the functions detailed in the *National Health Reform Act 2011* (the NHR Act). The Pricing Authority approves IHACPA's core business activities which include:

- the NEP and NEC annual Determinations for public hospital services
- developing annual pricing advice for residential aged care, residential respite care and in-home care
- building national classification systems for all public hospital and residential aged care services.

IHACPA's enterprise approach to risk management uses tools that address the strategic and tactical risks of all significant decisions. IHACPA has a comprehensive risk management framework and a detailed risk appetite statement, which is regularly reviewed. IHACPA's enterprise risks are outlined below.

#### Strategic risks

Strategic risks are identified with reference to current business and environmental issues facing IHACPA. These risks fall into three major risk categories:

- reputational risks
- data and information governance risks
- corporate risks.

Additionally, IHACPA maintains a shared Strategic Risk Register with the National Health Funding Body, which identified two risks that both agencies have agreed to manage jointly:

- incorrect calculation of Commonwealth funding entitlements
- changes to models that have not been effectively modelled and/or implemented.

IHACPA's strategic risks are actively managed through audits, assurance, and internal control processes. Where new risks emerge, resources are assigned to understand and manage those risks. They are reviewed biannually or as required.

#### **Tactical risks**

Tactical risks are managed through a decision-based risk management tool, which requires recording of the risk and a formal decision on the managed likelihood and consequence of the risk. The assessment tool forms part of any major decision, ensuring that the final decision maker is fully informed and cognisant of managed risk outcomes during the decision making process. IHACPA has a mature enterprise risk management framework in place, and risk management is considered a business as usual activity for all IHACPA staff.

#### **Policies and procedures**

Policies support IHACPA's vision and purpose by setting out compatible rules to govern core business. They influence and determine all major decisions and activities that take place within the boundaries set by them. Policies reinforce and clarify legislative and regulatory requirements, expectations and standards. Policies are complemented by procedures that are the specific methods to action policy in day-by-day operations. IHACPA reviews its policies and procedures on an annual basis or as required to ensure their relevance, and to take advantage of the latest developments and innovations in theory, technology and practice.

#### **Fraud and Corruption Control Plan**

IHACPA's fraud and corruption control plan is recognised as a critical internal tool used to mitigate the act and consequences of the unauthorised use of IHACPA data and financial resources. It is updated regularly to incorporate changes to the *Commonwealth Fraud Control Framework*. The plan encourages ethical behaviour through the use of business processes designed to prevent deceptive activities, supported by monitoring controls to detect fraud and deter offending behaviour, and is reviewed annually or as required.

#### **Compliance**

IHACPA has a broad range of compliance obligations, including key statutory obligations set out in the NHR Act, the National Health Reform Agreement, the *Aged Care Act 1997*, the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022*, the *Public Governance Performance and Accountability Act 2013*, and the Public Governance Performance and Accountability Rule 2014. Other legal and compliance obligations include, work health and safety, privacy, freedom of information, intellectual property, the Protective Security Policy Framework, website accessibility and records management. The Chief Executive Officer (CEO) manages assurances on IHACPA's compliance obligations through an organised system of controls and special exercises, including substantive testing, monthly reports, exception notifications, and compliance audits undertaken by an independent internal auditor.

#### **Financial authorisation**

As a corporate Australian Government agency, IHACPA is not required to adhere to the Commonwealth Procurement Rules, however chooses to do so as a matter of best practice. All of IHACPA's procurement decisions are made in accordance with the Commonwealth Procurement Rules. Line managers have value and purchase class limits in accordance with the delegation of financial authorities that are approved and reviewed regularly by the CEO, as the accountable authority.

#### **Audit, Risk and Compliance Committee**

The IHACPA Audit, Risk and Compliance Committee provides independent advice and assurance to the CEO on IHACPA's accountability and control framework and corporate governance arrangements. Risks and an outline of the associated controls are at **Table 2**.

**Table 2. Risk and controls**

| Risk   | Outline of controls  |
|--|--|
| <b>Reputational</b>  |  |
| IHACPA is not seen as an independent organisation                              | Regularly update the governance framework  |
|  | Consultation with all governments and working groups   |
|  | Public consultation processes  |
|  | Expert advice and quality assurance in delivering core functions   |
|  | Transparent evidence-based methodology in decision-making  |
| Media monitoring and proactive communications                                  |  |
| Communication of IHACPA's role is not effective                                | Annual conference or summit  |
|  | Extensive stakeholder consultation   |
|  | Public consultation processes  |
|  | Consolidated social media engagement presence  |
| Proactive media and communications on significant decisions and bodies of work | Proactive media and communications on significant decisions and bodies of work   |
|  |  |
|  |  |
|  |  |
| <b>Data and Information Governance Risks</b>                                   |  |
| Data accuracy  | Governance structure and business processes established to check the quality and integrity of incoming and outgoing data<br>Activity reporting quarterly                       |
| Delays in the provision of data  | Data compliance process in place   |
| A data breach occurs   | Systems, policies and procedures are in place to prevent data breaches   |
|  | Annual Data Governance assurance audits conducted by internal auditors   |
| Core business records not retained   | IHACPA uses the Australian Government Department of Health and Aged Care TRIM based record management system for its core business records which ensures regular secure backup |
|  | IHACPA data is independently maintained in accordance with Australian Government requirements  |
| <b>Information and Communication Technology</b>                                |  |
| ICT performance and suitability  | Comprehensive IT management policies   |
|  | Compliance with Australian Government information requirements   |
|  | Use of expert advisers to provide security advice  |
| <b>Outsourcing and Procurement</b>   |  |
| Procurement process and contract outcomes                                      | Experts provide procurement advice   |
|  | Level of advice considered based on risk assessments on all projects   |
|  | Comprehensive and regularly updated procurement and contract management policies and templates   |
|  | Staff training   |
| Conflict of interest and confidentiality undertakings for all parties          |  |
| <b>Physical Security</b>   |  |
| Physical security of staff, visitors or contractors and asset security         | Staff have annual security training  |
|  | Security checks undertaken   |
|  | Use of asset registers   |
|  | Security risk register in place  |

### 3.5 Performance measures

Section 16EA of the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule) stipulates the requirements around performance measures for Australian Government entities. The performance measures for an Australian Government entity are considered to meet the requirements of the PGPA Rule if, in the context of the entity's purposes or key activities, they:

- a) relate directly to one or more of those purposes or key activities;
- b) use sources of information and methodologies that are reliable and verifiable;
- c) provide an unbiased basis for the measurement and assessment of the entity's performance;
- d) where reasonably practicable, comprise a mix of qualitative and quantitative measures;
- e) include measures of the entity's outputs, efficiency and effectiveness if those things are appropriate measures of the entity's performance; and
- f) provide a basis for an assessment of the entity's performance over time.

The IHACPA Work Program and Corporate Plan for 2024–25 defines IHACPA's strategic objectives and the associated key deliverables for the 2024–25 reporting period. IHACPA's performance over the reporting period will be assessable against the performance measures detailed in **Table 3**, as per the requirements under the PGPA Rule.

**Table 3. Performance measures**

| Key performance indicators   | Performance measures   |
|--|--|
| Support public hospitals and aged care services to improve efficiency in, and access to, services through the provision of independent pricing determinations and advice and designing pricing systems that promote sustainable and high-quality care. | Develop the annual Pricing Framework for Australian Public Hospital Services and the annual Pricing Framework for Australian Residential Aged Care Services to communicate IHACPA's pricing decisions and underpinning methodologies.                |
|  | Develop the annual NEP and NEC Determinations for public hospital services and the annual pricing advice for aged care.  |
|  | Implement national activity based funding, where practicable, underpinned by a mix of qualitative and quantitative measures to contribute to the continual improvement of the national pricing model for public hospital services and for aged care. |
|  | Develop and refine the activity based funding classifications, data collections and coding standards for public hospital services and aged care.   |
|  | Ensure effective collection and processing of costing information to support activity based funding outcomes for public hospital and aged care services.   |
|  | Analyse activity and cost data for public hospital services to inform an evidence-based methodology for implementing and reviewing safety and quality improvements.  |
|  | Provide the Australian Government and state and territory governments with IHACPA's forward looking work program and data requirements.  |
| Fulfil the reporting and performance requirements under the PGPA Rule.   | Undertake regular consultation with the Australian Government and state and territory governments, other Australian Government entities and key stakeholders on decisions and deliverables that impact IHACPA's operating context.                   |
|  | Each year publish an annual report detailing IHACPA's delivery of reports, documents and other deliverables that pertain to its purpose and key activities.  |





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