


Achieving value and sustainability in aged care pricing and funding

PCSI Conference 2025


Cindy Feng – Director, Aged Care Policy

Rachel Hauenschild – Director, Aged Care Pricing

Independent Health and Aged Care Pricing Authority (IHACPA)



We respect and acknowledge the First Peoples
of the lands on which we gather today and
recognise the traditional unceded territory of the
Huron-Wendat people.





The Australian aged care sector

History and background



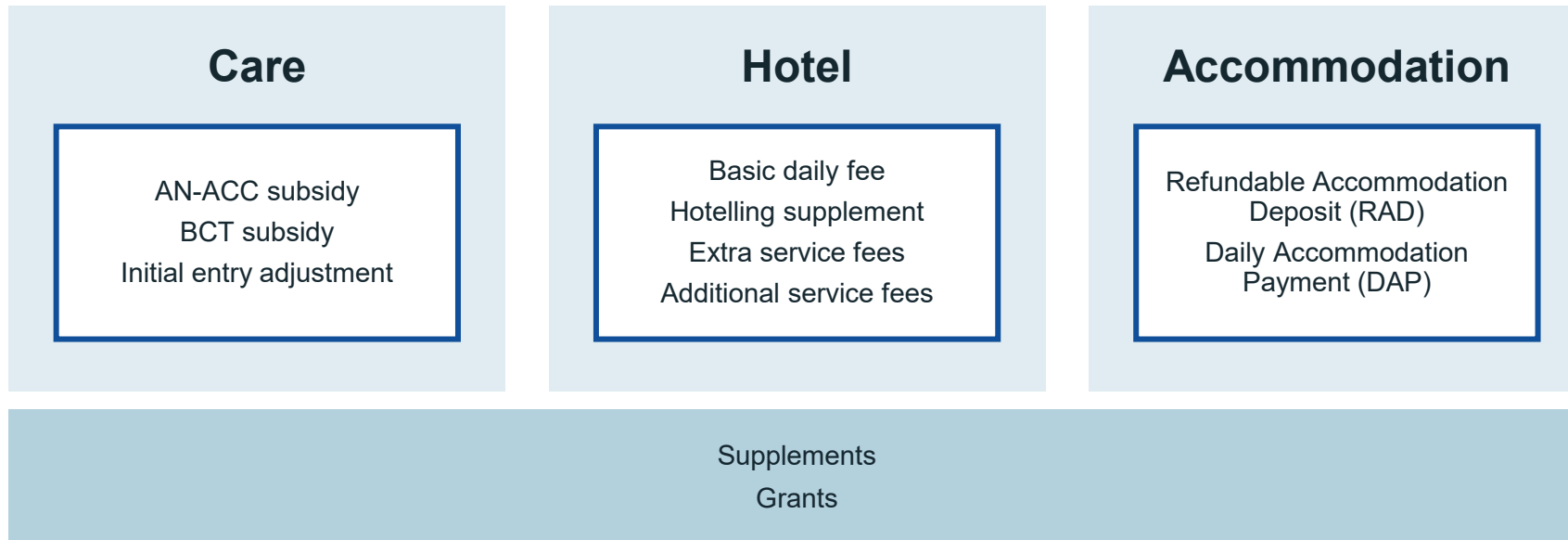


2,671
residential aged
care facilities

with

220,000
residents
receiving care

Components of residential aged care funding



IHACPA

Introduction and function

Independent Health and Aged Care Pricing Authority (IHACPA)



We are an independent government agency established under the *National Health Reform Act 2011* as part of the National Health Reform Agreement.



In response to the Royal Commission into Aged Care Quality and Safety, our functions expanded to include providing annual aged care pricing advice for residential aged care, residential respite care and in-home care to the Australian Government Minister for Health and Ageing.



We deliver transparent, independent, evidence-based advice, underpinned by broad stakeholder consultation, to the Australian Government.

Residential Aged Care Pricing Advice

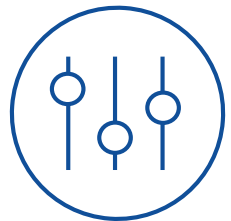
IHACPA provides annual advice to government on:



recommended AN-ACC price



recommended changes to the BCT categories



recommended AN-ACC and BCT price weights

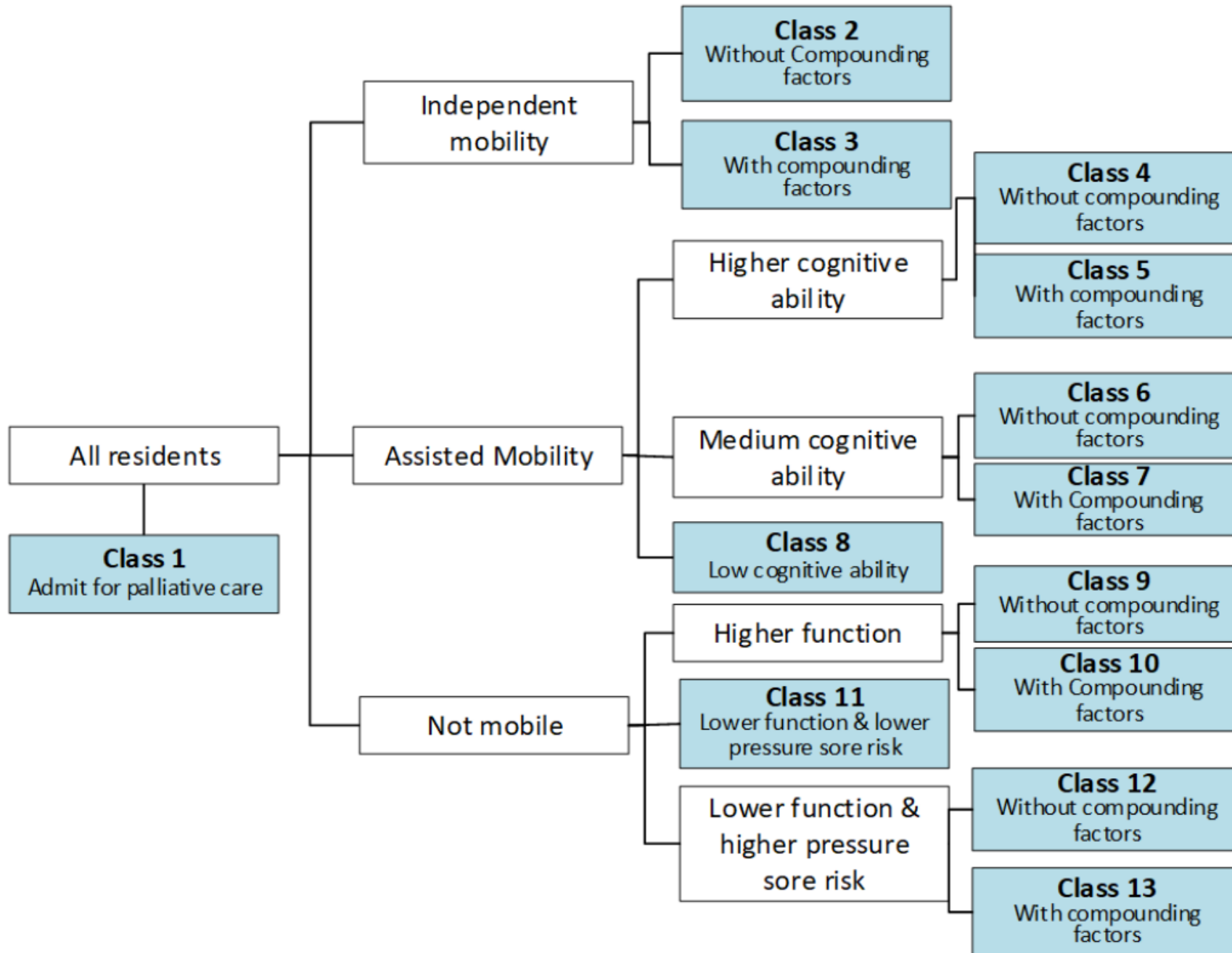


estimated gap between the costs of delivering hotel services and revenue received

The funding model

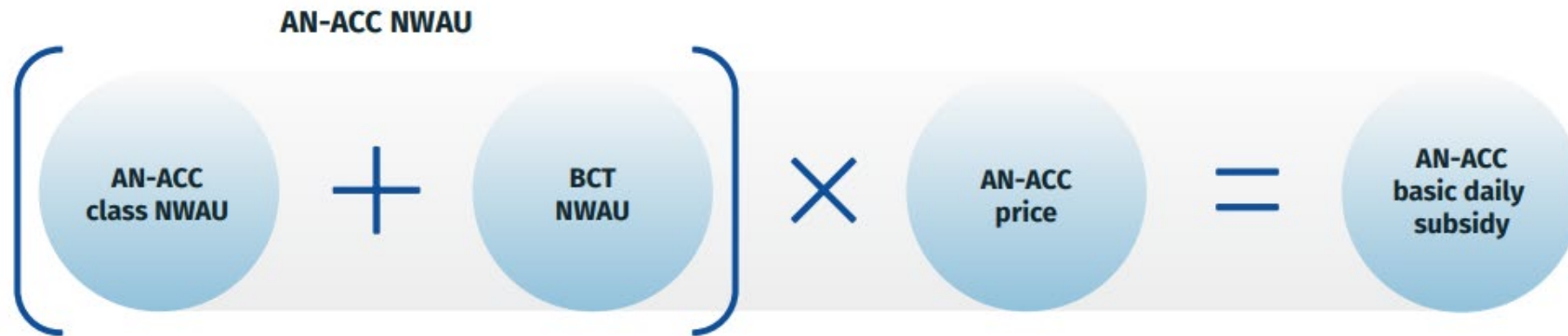
Australian National Aged Care Classification (AN-ACC)

- Classification system developed for Australian aged care system
- Residents are independently assessed and assigned an AN-ACC class based on their functional, cognitive, and physical capabilities
- Aims to:
 - identify the drivers of residential aged care costs
 - distinguish care costs for individual residents
 - identify cost drivers that relate to facility characteristics.



NWAU

- NWAU = national weighted activity unit
- For aged care funding, one standard price is set and weighted by two separate components:
 - AN-ACC, defined by resident characteristics and care needs
 - Base care tariff (BCT), defined by facility characteristics and location



**Total AN-ACC
NWAU**

=

Fixed component

per occupied bed day (MMM 1–5 and specialised homeless) or per available bed day (MMM 6–7 and specialised indigenous)

+

Variable component

per occupied bed day

+

Initial entry adjustment

per new permanent resident



BCT category	NWAU
Standard MMM 1	0.50
Standard MMM 2–3	0.55
Standard MMM 4–5	0.57
Specialised Homeless	0.92
Standard MMM 6–7	0.68 for first 29 places 0.52 for places 30+
Specialised Indigenous MMM 6	0.78
Specialised Indigenous MMM 7	1.80

AN-ACC class	NWAU
1	0.80
2	0.19
3	0.37
4	0.25
5	0.44
6	0.40
7	0.55
8	0.64
9	0.52
10	0.70
11	0.66
12	0.66
13	0.80
98 (default palliative care)	0.80
99 (default permanent)	0.64
100 (default respite)	0.479
101 (respite)	0.365
102 (respite)	0.479
103 (respite)	0.691

Adjustment	NWAU
New permanent resident entry adjustment	5.28

**Total
AN-ACC
NWAU**

×

**AN-ACC
price
\$282.44**

=

**Total
AN-ACC
subsidy**

Pricing, costing and policy factors



Future priorities

- Safety and quality in aged care pricing
- Thin markets and regional, rural and remote services
- Impact of the new Aged Care Act

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