

Independent Health and Aged Care Pricing Authority (IHACPA) Pricing approach for the Support at Home service list 2025—26

Submission

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About ACCPA

The Aged and Community Care Providers Association (ACCPA) is the 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

ACCPA welcomes the role of the Independent Health and Aged Care Pricing Authority (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.¹

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

We acknowledge the magnitude of the reform known as the Support at Home program that will impact approximately 1.4 million Australians by 2035.²

We have also seen from the experience of pricing in residential care, the importance of the first year of an independent pricing approach, including the opportunity to support sector stability in a time of significant transition.

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

ACCPA notes that we have also written to the Department of Health and Aged Care in relation to matters that involve a potential role for IHACPA in relation to Support at Home but are at the discretion of the Australian Government to request of IHACPA under legislation.

Executive Summary

ACCPA welcomes the opportunity to provide feedback on the Consultation Paper that focuses on service list pricing for Support at Home. This submission draws on the experience and expertise of our members, which include over 783 home and community care providers across Australia (delivering the Home Care Packages Program, Commonwealth Home Support Programme or both).

We support IHACPA's role in providing independent pricing advice to Government for Support at Home, proposed to commence from 1 July 2025 (pending the passage of the Aged Care Bill 2024 through Parliament).

We encourage IHACPA to seek learnings from the NDIS Review and look to use its role to incentivise quality service delivery. We support the underpinning pricing principles proposed for Support at Home if due consideration is given to the strengthened Aged Care Quality Standards (proposed as part of the Aged Care Bill 2024 and Rules). We also propose a new principle for market effectiveness that will support the role of pricing in the future sustainability of home care.

We recognise the vital role of data and information to IHACPA's costing and pricing methodologies and the challenges posed by the variable digital maturity of home care providers. We make several recommendations for IHACPA to consider uplifting the sector's capacity to participate.

It is critical that providers are adequately funded under the Support at Home funding model to support the delivery of quality services to all care recipients. ACCPA members report significant concern with the Australian Government's decision of a 10% cap on care

¹ Royal Commission into Aged Care Quality and Safety, [*Recommendation 11: Independent Hospital and Aged Care Pricing Authority \(Commissioner Briggs\)*](#), March 2021.

² Australian Government, [*Joint Media Release: Prime Minister, Treasurer and Minister for Aged Care, 12 September 2024*](#).

management for providers and encourage IHACPA to consider the current levels of financial sustainability in the home care sector, in association with its own evidentiary costing of administrative overheads and package management for service types.

We welcome the focus in IHACPA's Consultation Paper on the potential need for pricing adjustments and recommend consideration be given to the costs of compliance. This includes as it relates to ICT systems; the nuances involved delivering home care in thin markets and relationship to increased costs, as well as understanding the nature of social support and importance of sufficient pricing.

In relation to future developments for Support at Home, we consider it imperative that matters related to the Commonwealth Home Support Programme (CHSP) and its potential inclusion in Support at Home no earlier than 1 July 2027, be considered now and over coming years to ensure the pricing architecture will be fit for purpose. We also encourage consideration of the evolution of technology advances in home care, as well as work, health and safety matters as part of IHACPA's costing and pricing methodologies.

Summary of recommendations

R1: That IHACPA considers the lessons learned from the impact of NDIS pricing as part of its design of a pricing framework.

R2: IHACPA pricing should be set sufficiently to support quality service delivery.

R3: That IHACPA works with the Department of Health and Aged Care and the sector to ensure the new requirements under the Aged Care Quality Standards for in home care are incorporated in the pricing approach.

R4: That the wording of the Pricing equity principle be adjusted to add the phrase '...including in thin markets.'

R5: IHACPA introduce an additional pricing principle for *'Market effectiveness – The pricing framework should ensure a sustainable and stable market that will meet the needs of older Australians into the future.'*

R6a: IHACPA should support cost collection participation by establishing clear, streamlined, and standardised costing data requirements.

R6b: IHACPA should collaborate with software vendors to develop reporting systems that meet their needs for data analysis.

R6c: IHACPA should provide financial support for administrative costs and the time of data experts to assist home care providers in their participation in costing studies.

R7: IHACPA should ensure it considers the context of the Australian Government's decision of a 10% cap on care management for providers and the current levels of financial sustainability in the home care sector, in association with its own evidentiary costing of administrative overheads and package management for service types.

R8: 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 and National Efficient Cost).

R9: IHACPA should consider pricing that accounts for existing and prospective compliance and related ICT costs for all home care providers, to ensure the sector is adequately funded for the accountability and system demands of Support at Home.

R10: IHACPA should consider increasing pricing adjustments, where social support is available, or a key component or outcome of the service type.

R11: That IHACPA develops specific engagement strategies with the sector, aimed at gathering pricing inputs for rural and remote areas, including home care services.

R12: IHACPA should accommodate the specific nuances of delivering home care in thin markets as part of the pricing framework.

R13: That the Modified Monash Model classification scheme should be used as part of the pricing framework for Support at Home.

R14: That IHACPA assess the potential implications of service list unit pricing advice on CHSP, and how pricing may influence CHSP providers in preparing for their inclusion in Support at Home no earlier than 1 July 2027.

R15: IHACPA should monitor the evolution of technological advances in home care and consider this as part of its costing studies.

R16: IHACPA should incorporate WHS and risk management aspects of service provision into its pricing framework.

Support at Home service list

What concerns, if any, do you have about the transition to set unit prices for services on the indicative Support at Home service list?

One of the findings of a 2023 NDIS Review (Review) of the underpinning pricing framework was that *‘Poor market design also means the incentives for providers are not aligned to participants’ and governments’ interests.*³

In looking at the use of price caps in the NDIS, the Review found they act as an ‘anchor’ but mostly do not adjust for quality or complexity. As such, providers have little incentive to charge below the price cap.

Rather than removing caps, the Review recommended that ‘providers are incentivised to compete on price and quality, and deliver the volume and mix of supports that improve outcomes for participants.’⁴

Yet, the NDIS experience has also shown that if caps are set too low, and do not take sufficient account of administrative costs, it can render provision of one or more services to be unfinancial, potentially leading to providers exiting from service types. It is therefore important that price is set at right level to be sustainable across the spectrum of the home care system.

This can be further complicated by differences across localities and states that need to be accommodated.

Recommendation 1: That IHACPA considers the lessons learned from the impact of NDIS pricing as part of its design of a pricing framework.

³ NDIS Review, *The role of pricing and payment approaches in improving participant outcomes and scheme sustainability*, June 2023, p.2.

⁴ Ibid., p.7.

In developing its advice, what factors should IHACPA take into account when setting prices for different services?

Providers have developed service models tailored to the specific needs and demands of their communities, resulting in varied quality and cost structures within the same service type. For example, social support can range from a worker playing cards with an individual to reablement approaches where they may re-engage someone with their community. These two service delivery models require different levels of resources. It is critical that IHACPA's pricing recommendations promote higher-quality service delivery, reflecting the range in costs associated with variation in care delivery.

Recommendation 2: IHACPA pricing should be set sufficiently to support quality service delivery.

Pricing policy principles

ACCPA notes the importance of IHACPA creating underpinning principles to support its pricing of Support at Home, particularly to enable transparency for decisions that may be taken year on year to adjust the pricing framework.

What, if any, changes do you suggest to the proposed pricing principles to guide the development and operation of the Pricing Framework for Australian Support at Home Aged Care Services 2025–26?

Access to services - The price does not create a barrier to access for those assessed as needing in-home aged care services.

Support.

Quality care and services - Pricing that supports care and services that are person-centred, culturally appropriate and meet the Aged Care Quality Standards, where applicable.

Support.

The proposed strengthened Aged Care Quality Standards will require additional activities from home care providers, and it is imperative that this is accommodated in IHACPA's pricing advice for 2025-26.

Recommendation 3: That IHACPA works with the Department of Health and Aged Care and the sector to ensure the new requirements under the Aged Care Quality Standards for in home care are incorporated in the pricing approach.

Pricing equity - Prices should be fair and equitable and account for legitimate cost variations faced by some providers in delivering care and services.

Support with amendment.

It is important that transparency with respect to pricing in thin markets, including regional providers, smaller providers and those with specialisation, is a clear purpose of the Support at Home pricing framework.

Recommendation 4: That the wording of the Pricing equity principle be adjusted to add the phrase '...including in thin markets.'

Evidence based - Pricing advice should be based on the best available information.

Support.

Transparency - All steps in the development of pricing advice for Support at Home services should be clear and transparent.

Support.

Efficiency - Prices should ensure the sustainability of aged care services over time and optimise the value of the public investment in aged care.

Support.

Administrative efficiency - Pricing arrangements should promote effective and efficient processes and should not unduly increase the administrative burden on aged care providers.

Support and should take into account any increases in administrative burden caused by changes to government policy.

Minimising undesirable and inadvertent consequences - Pricing should minimise susceptibility to gaming, inappropriate rewards and perverse incentives.

Support.

Innovation - Pricing arrangements should respond in a timely way to the introduction of evidence based, effective new technologies and support innovations that improve participant outcomes and service efficiency.

Support.

Are there any additional pricing principles for in-home aged care services that should be added? If so, please advise what they are.

ACCPA considers that the impact of IHACPA pricing on the market should be closely monitored using all available data sources. It is critical that the home care sector is not adversely affected by volatility and instability from transition to Support at Home.

Further, a stable market will be needed to ensure the home care sector can grow to support the demands of an ageing nation and meet the Aged Care Taskforce 'Principle 1: The aged care system should support older people to live at home for as long as they wish and can do so safely.'⁵

Recommendation 5: IHACPA introduce an additional pricing principle for 'Market effectiveness – The pricing framework should ensure a sustainable and stable market that will meet the needs of older Australians into the future.'

Data and information

ACCPA supports the principle of evidence based pricing for Support at Home but notes various challenges for home care providers that are impacting on the quality of data, and capacity for providers to be involved in costing studies.

There is significant variation in digital maturity across the aged care sector, including challenges such as the complexities of data collection in home care being more pronounced than those in residential care given the permutations of the remote nature of the work.

There is a clear digital maturity divide among aged care providers in the use of technology enabled systems. These systems include telehealth, e-learning software, client management

⁵ Department of Health and Aged Care, *Final Report of the Aged Care Taskforce*, March 2024, p.16-18

systems, monitoring and surveillance technologies, clinical governance system, planning and budget software, risk management software and asset management systems.⁶

There is also a lack of interoperability between systems leading to inefficiencies and inconsistent data sharing. Barriers to implementing technology enabled systems include:

- financial capacity;
- insufficient technology expertise within aged care organisations;
- fear of technology amongst service users; and
- technology infrastructure, including internet access.⁷

How could IHACPA improve the representativeness of the cost collection participation across a range of domains, for example, service types, geography, specific population groups?

Members report that participating in IHACPA cost collection studies is challenging given the time and administrative investment involved for services already operating at capacity. Additionally, some providers are frustrated because they have already submitted data to IHACPA but have not received any feedback or outcomes from that contribution, while further consultations are being initiated without clear communication regarding the use of the previous data.

Recommendation 6a: IHACPA should support cost collection participation by establishing clear, streamlined, and standardised costing data requirements.

Recommendation 6b: IHACPA should collaborate with software vendors to develop reporting systems that meet their needs for data analysis.

Recommendation 6c: IHACPA should provide financial support for administrative costs and the time of data experts to assist home care providers in their participation in costing studies.

How unit prices are developed for Support at Home services

Do you support IHACPA's proposal to establish unit pricing using a cost-based approach that reflects the available data? Please provide a rationale.

Our members are significantly concerned about too great a reliance on existing home care data following the release of the *IHACPA Support at Home Costing Study 2023 Final Report*⁸ by Ernst and Young, which generated concern for the perceived low costing of several services and insufficient allowance for wages.

This is compounded by the reduction in the cap for care management from 20% to 10%, and uncertainty about the amounts that will be built into the unit efficient price for administrative overheads. IHACPA must build into the service prices a margin sufficient to recover almost all of a provider's overheads as care management will no longer contribute to these costs.

StewartBrown has reviewed their survey data for 2023-24 and their analysis has found that on average providers achieved a \$2.76 surplus for the year. To maintain this surplus with a

⁶ Aged Care Industry Innovation Technology Council (ACIITC), *Capabilities in Aged & Community Care Readiness: An Evaluation of Innovation & Technology (CARE IT) Report*, 2020.

⁷ Ibid.

⁸ Independent Health and Aged Care Pricing Authority (IHACPA), *Support at Home Costing Study 2023 Final Report*, May 2024.

10% cap on care management, would require a 40.3% margin for direct and brokered service revenue for service types.

Further, the importance of ensuring a sustainable home care sector must be a pillar of IHACPA's pricing (as identified above in Recommendation 13). The *Quarterly Financial Snapshot – Quarter 3, 2023-24*⁹ shows a \$5.84 net profit before tax, suggesting that to maintain the current level of financial sustainability with the additional requirements and transformation expenses a higher margin would be required.

Recommendation 7: IHACPA should ensure it considers the context of the Australian Government's decision of a 10% cap on care management for providers and the current levels of financial sustainability in the home care sector, in association with its own evidentiary costing of administrative overheads and package management for service types.

Are there any alternative approaches to pricing that IHACPA should consider? Please provide a rationale.

As articulated in previous submissions to IHACPA, ACCPA considers that strategically, shifting to a National Efficient Cost may be an option for aged care. We note 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 8: 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 and National Efficient Cost).

What else should be considered in the development of an indexation methodology for Support at Home unit prices?

Sufficient indexation is critical to the financial sustainability of the aged care sector. It enables providers to navigate year on year costs of delivery quality and safe care.

In our inaugural *State of the Sector: Aged Care 2024 Report*, a survey of providers found almost universal concern regarding increasing costs, with 97% indicating a level of concern ranging from medium to extreme (including 49% indicating extreme concern) regarding the increasing costs associated with the delivery of services to older people.¹⁰

In relation to a new program and funding model, there is an important opportunity to instil confidence in the sector of the role of independent pricing advice being able to sufficiently account for indexation from Year 1.

To what extent should IHACPA consider price benchmarking for similar services provided under comparable schemes in adjacent sectors (for example, NDIS, DVA) and why?

⁹ Department of Health and Aged Care, [Quarterly Financial Snapshot Aged Care Sector - Quarter 3 2023-24, January to March 2024](#), September 2024

¹⁰ Aged and Community Care Providers Association (ACCPA), [State of the Sector: Aged Care 2024 Report](#), October 2024, p.18.

It will be important for IHACPA to consider benchmarking across adjacent sectors, including impacts of wages and wage indexation, to ensure the Support at Home program is able to sustain the required workforce. It is also important that IHACPA do not benchmark against prices that are unreasonable, or that have not been informed by rigorous methodology which sufficiently represents the cost of providing the service, including recovery of overheads.

Pricing adjustments

What factors, if any, should be considered as cost differences that should be accounted for in the pricing of in-home aged care services?

Other factors that should be considered as part of pricing of home care services include:

- cost of compliance - the Royal Commission into Aged Care Quality and Safety recommended a wide range of reforms, many of which were aimed at improving accountability and transparency. The Australian Government supported most of these recommendations, including several which impose new compliance reporting requirements on providers. These cover a range of matters, including serious incident reporting, new financial reporting requirements, additional quality indicator reporting, and changes to governance arrangements. While ACCPA recognises the importance of accountability and transparency, these reforms are resulting in significant additional compliance costs for aged care providers which are not adequately funded. It is therefore critical that IHACPA's pricing framework accounts for the increased compliance activities as well as related ICT system costs to ensuring the necessary reporting that comes with compliance.
- sub-contracting and brokering – approved providers are responsible for ensuring that sub-contracted or brokered services are provided in such a way that they are compliant with the Act, and this can generate higher administrative costs.

Recommendation 9: IHACPA should consider pricing that accounts for existing and prospective compliance and related ICT costs for all home care providers, to ensure the sector is adequately funded for the accountability and system demands of Support at Home.

What factors should be considered in the pricing adjustments to allow for differences in costs within a given service type, and why? Please provide a rationale and evidence to support your answer.

Members report the type of costs that might need to be taken into consideration would be cost of travel between clients, region including additional staffing costs, vulnerability of the care recipient, cost of freight on consumables and access to specialist services.

Should particular service types be considered for additional pricing adjustments to recognise social support aspects of the service? Which services? Please provide a rationale and evidence to support your answer.

All direct care services delivered by a support worker have an element of social support. This is built into the program intent and reflected in the quality standards. This element of social support helps the support worker to deliver person-centred services, and ensures that the individual's emotional needs are respected.

Members report the importance of home care recipients benefiting from social support as part of their care services. This reduces isolation, encourages connection to community and other services that may benefit the care recipient.

For vulnerable individuals who do not wish to accept services, this social aspect and rapport building element of the service, regardless of service type, is even more significant, and may continue throughout the individual's journey.

However, members also report the disincentive for care recipients to participate in social support if the co-contribution is too high.

The current consultation by the Department of Health and Aged Care on the *Rules: Service list for home support* notes several areas that will require pricing consideration by IHACPA. These include:

- Care management, which is proposed to include 'support and education'. ACCPA is recommending that this should be classified as its own service type and delivered by a care manager. Further social support is an outcome of care management.
- Social support and community engagement service type (various services).

Recommendation 10: IHACPA should consider increasing pricing adjustments, where social support is available, or a key component or outcome of the service type.

Is the pricing method fit-for-purpose across all geographic areas, including areas where there are thin markets?

On 12 September 2024, the Australian Government announced its response to the Aged Care Taskforce Final Report. ACCPA welcomed this, acknowledging the bipartisan approach by the Government and Opposition to bring structured and sustainable financial security to the sector, providing the foundations for a vibrant, growing aged care system, that meets the needs of older Australians now and in the future.

ACCPA has long supported the important role of IHACPA as a key pillar to achieve an improved aged care system in Australia. We support the Australian Government's acceptance of the proposed role for IHACPA in Recommendations 10 and 23, which state that 'The IHACPA will provide advice on pricing in rural and remote areas and the Hotelling Supplement in line with its responsibilities to provide independent advice on residential aged care costs and prices.'¹¹

Recommendation 11: That IHACPA develops specific engagement strategies with the sector, aimed at gathering pricing inputs for rural and remote areas, including home care services.

ACCPA members in thin markets report similar issues to those facing all home care providers which have been articulated throughout this submission. However, they also have other circumstances that will need consideration in the pricing framework. These include:

- increased costs of delivering care in regional areas, such as increased quantum of travel and distances travelled, as well as the need for scheduling flexibility which can be costly in ensuring an available workforce;
- need for building relationships and trust with First Nations people – takes time and a highly skilled workforce (which requires sufficient funding to attract and retain staff that are the right fit);

¹¹ Australian Government, [Government response to Aged Care Taskforce](#), 12 September 2024, p.3 and 6.

- need for longer lead times for price adjustments for smaller providers; and
- pricing that accounts for the administration and time that culturally and linguistically diverse providers need to communicate home care services to their care recipients and families/carers, as well as recruiting, training and retaining bilingual workers.

Recommendation 12: IHACPA should accommodate the specific nuances of delivering home care in thin markets as part of the pricing framework.

ACCPA notes the limited use of Modified Monash Model (MMM) classification in residential care in its first year of operation during 2023-24 as part of weightings allocated to the AN-ACC base care tariff for MMM 5-7. Subsequently, following advocacy from the sector, including ACCPA, as well as pricing advice from IHACPA, the Australian Government approved the introduction of weightings for MMM1 – 4 in the second year.

Recommendation 13: That the Modified Monash Model classification scheme should be used as part of the pricing framework for Support at Home.

Priorities for future developments

For future years, what do you see as the priority areas for IHACPA to consider when developing advice on adjustments to the service list unit prices?

There needs to be consideration of the impact on the CHSP sector and their clients as they follow the introduction of Support at Home over the next two years and consider the strategic and business planning in readiness for inclusion in the program no earlier than 1 July 2027.

There are service types delivered through CHSP, such as meals, community transport and social support, that may need specific funding and pricing arrangements.

Other recommendations for adjusting the service list unit price include:

- the short-term nature of some of the supports in current CHSP structure;
- the role of care management post 2027, including how it is priced;
- incorporate a pricing differential into one-off services that include a care management component;
- the level of co-contribution currently being received (kept by provider on top of government funding) against prices being set under Support at Home where consumer contribution does not add to the overall revenue stream of the provider;
- variation in scope of service (e.g. social support);
- trends service uptake impacting a provider's budget (e.g. if Domestic Assistance visits have the greatest financial benefit but the uptake of this service decreases);
- trends in visits being cancelled and whether it causes financial impact on an organisation – cancellation payments need to match SCHADS award payment requirements; and
- fuel and vehicle costs, as well as changes to wages.

Recommendation 14: That IHACPA assess the potential implications of service list unit pricing advice on CHSP, and how pricing may influence CHSP providers in preparing for their inclusion in Support at Home no earlier than 1 July 2027.

Artificial intelligence (AI), innovation, and technology are reshaping home care by enhancing autonomy, improving health outcomes and reducing the need for institutionalised care. By integrating AI-driven tools and technologies into home care, older adults can enjoy greater

independence (enabling older adults to age in place), while caregivers benefit from better tools to manage care and prevent complications.

Examples include:

- assistive technologies and robotics - robotics and AI-driven assistive technologies support older adults in maintaining independence at home. These technologies can perform tasks such as medication reminders, mobility assistance and household chores, reducing the burden on human caregivers and enhancing quality of life;
- smart homes and Internet of Things (IoT) Devices - home care increasingly benefits from smart home technology, where IoT devices, like smart speakers, sensors and home automation systems, are connected to improve safety and convenience for older adults. AI algorithms process data from these devices to create a safer, more supportive living environment; and
- remote monitoring and virtual care - innovations in remote monitoring technology allow caregivers and healthcare professionals to keep track of vital signs and health conditions in real time. AI-powered monitoring tools can alert caregivers to potential issues, improving care response times.

Recommendation 15: IHACPA should monitor the evolution of technological advances in home care and consider this as part of its costing studies.

Providers are required to provide safe and high-quality care. What safety and quality of care issues should be considered as part of IHACPA's pricing advice?

[It is important to note that the provision of 'high-quality care' as currently proposed in the Aged Care Bill 2024 is aspirational – it is not a requirement. Providers are required to provide quality care and are assessed against the Aged Care Quality Standards by the Aged Care Quality and Safety Commission.]

A care recipient who is causing work, health and safety (WHS) risk requires significant support to maintain safety for them and the staff members involved. Costs in these situations will exceed the hours in a 10% care management charge, and potentially over a long period. Additional funding should be incorporated into the unit price to account for these more complex situations. Consideration of 'security of tenure' provisions are also a key factor and have not yet been released.

Recommendation 16: IHACPA should incorporate WHS and risk management aspects of service provision into its pricing framework.