

# Residential Aged Care Supplementary Pricing Advice 2023–24

August 2023

Version 1.0  
August 2023



IHACPA

## Residential Aged Care Supplementary Pricing Advice 2023–24 — August 2023

© Independent Health and Aged Care Pricing Authority 2023

This publication is available for your use under a Creative Commons BY Attribution 3.0 Australia licence, with the exception of the Independent Health and Aged Care Pricing Authority logo, photographs, images, signatures and where otherwise stated. The full licence terms are available from the Creative Commons website.



Use of Independent Health and Aged Care Pricing Authority material under a Creative Commons BY Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Independent Health and Aged Care Pricing Authority endorses you or your use of the work).

Independent Health and Aged Care Pricing Authority material used 'as supplied'.

Provided you have not modified or transformed Independent Health and Aged Care Pricing Authority material in any way including, for example, by changing Independent Health and Aged Care Pricing Authority text – then the Independent Health and Aged Care Pricing Authority prefers the following attribution:

Source: The Independent Health and Aged Care Pricing Authority

# Table of Contents

- 1. Overview ..... 4
- 2. Australian National Aged Care Classification pricing advice ..... 5
- 3. Hotel cost advice ..... 6

# 1. Overview

The Independent Health and Aged Care Pricing Authority (IHACPA) was established under the *National Health Reform Act 2011* (Cwlth) (the NHR Act) and by virtue of section 131A(1) of the NHR Act is invested with the following functions relevant to the Residential Aged Care Pricing Advice 2023–24:

- a) to provide advice to each relevant Commonwealth Minister in relation to one or more aged care pricing or costing matters, including in relation to methods for calculating amounts of subsidies to be paid under the *Aged Care Act 1997* or the *Aged Care (Transitional Provisions) Act 1997*
- b) such functions relating to aged care (if any) as are specified in regulations made for the purposes of this paragraph
- c) to conduct, or arrange for the conduct of, one or more of the following activities for the purpose of performing a function mentioned in paragraph (a) or (b):
  - i. the collection and review of data
  - ii. costing and other studies
  - iii. consultations
- d) to do anything incidental to or conducive to the performance of the above functions.

This Advice is an output of the performance of those functions by the Pricing Authority.

In this document, the 'Pricing Authority' refers to the governing body, as established under the NHR Act, and 'IHACPA' refers to the agency. The *Residential Aged Care Supplementary Pricing Advice 2023–24* (this advice) supplements the [Residential Aged Care Pricing Advice 2023–24](#) published by the Pricing Authority on 26 May 2023.

This advice includes updates to the recommended residential aged care price and estimated gap between hotel revenue and costs following the *National Minimum Wage Order 2023*<sup>1</sup> issued by the Fair Work Commission on 20 June 2023.

---

<sup>1</sup> [Annual Wage Review 2022–23 – National Minimum Wage Order 2023](#)

# 2. Australian National Aged Care Classification pricing advice

**Section 2.1** in this advice replaces section 3.2 in the *Residential Aged Care Pricing Advice 2023–24* published on 26 May 2023.

## 2.1 The recommended Australian National Aged Care Classification price

The Pricing Authority recommends the Australian National Aged Care Classification (AN-ACC) price for the 2023–24 financial year to be **\$249.34**.

This advice excludes the \$10 Basic Daily Fee supplement on the basis that the Australian Government has advised its intention to remove the supplement from within AN-ACC from 1 July 2023.

For 2023–24, this recommended AN-ACC price is calculated by subtracting \$10 from the 1 October 2022 AN-ACC price of \$216.80 (set by the Department of Health and Aged Care) and indexing the resulting \$206.80 by 20.6 per cent to cumulatively account for:

- inflation and wage rises in 2022–23 (3.1 per cent)
- 15 per cent wage increase for the aged care sector (10.7 per cent), then
- the superannuation guarantee increase (0.4 per cent)<sup>2</sup>, then
- underlying inflation from 2022–23 to 2023–24 (0.2 per cent), then
- National Minimum Wage Order 2023 (5.0 per cent).

This price is intended to be multiplied by the total AN-ACC national weighted activity units to calculate the total AN-ACC subsidy.

---

<sup>2</sup> The increase of 0.4 per cent on the AN-ACC price is derived after adjusting the labour-cost component by 0.5 percentage points in the Superannuation Guarantee from 10.5 per cent in 2022-23 to 11.0 per cent in 2023-24.

# 3. Hotel cost advice

**Section 3.1** in this advice replaces section 4.1 in the *Residential Aged Care Pricing Advice 2023–24* published on 26 May 2023.

## 3.1 The scope of advice on hotel costs

Elements of in-scope hotel costs are outlined in Part 1 of Schedule 1—Care and services for residential care services of the [Quality of Care Principles 2014](#) under section 96-1 of the *Aged Care Act 1997* (Cwlth).

Hotel costs for residents are currently aligned under the payment of the basic daily fee (BDF). The BDF is up to 85 per cent of the basic aged care pension, with all residents required to pay or apply for hardship or alternative payment options.

Despite initially being consolidated into the Australian National Aged Care Classification (AN-ACC) price, the Australian Government has removed the supplement from within AN-ACC and will instead deliver this as a \$10.80 per resident per day hotelling supplement.

According to its [Statement of Intent](#) and in response to communication from Professor Brendan Murphy, former Secretary of the Department of Health and Aged Care (the Department), the Independent Health and Aged Care Pricing Authority (IHACPA) will provide advice to the Department on the gap between the costs of delivering required hotel services, and revenue received, including how this can be translated to an AN-ACC national weighted activity unit price. The following types of hotel-related revenue have been considered in IHACPA’s gap analysis:

- the BDF
- the hotelling supplement (formerly known as the BDF supplement)
- additional service fees
- extra service fee
- other hotel-related income.

Additional and/or extra hotel services, such as higher quality meals, bedding, furnishings or preferred brands of toiletries can be offered and paid for by residents through additional service fees, and/or extra service fees. This component of hotel costs, that is, costs for the delivery of hotel services in addition to required hotel services, is out of scope for the Pricing Authority’s advice on hotel funding.

**Section 3.2** in this advice replaces section 4.2 in the *Residential Aged Care Pricing Advice 2023-24* published on 26 May 2023.

## 3.2 Estimated hotel costs

The total revenue related to hotel services can be calculated as the sum of the BDF, the hotelling supplement, additional service fees and extra service fees. Due to a lack of available data, this advice also excludes any impact from the Fair Work Commission (FWC) decision related to head chefs/cooks under the Aged Care Award.

The Aged Care Financial Report (ACFR) provides information on extra service fee and additional service fee revenue, and the hotelling supplement can be estimated based on total occupied bed day information in the ACFR.

Total hotel expenditure is also reported in the ACFR. These items together allow the gap between hotel revenue and expenditure to be calculated as expenses less revenue.

Depending on the intended application, maintenance costs are often considered as either hotel or accommodation costs. For the purposes of this analysis, maintenance costs have been separated in consideration of the gap between the cost of required hotel services and the revenue from the BDF and hotelling supplement.

The Pricing Authority also advises there is a gap between the cost of required hotel services, the revenue from the BDF and the hotelling supplement. This gap is estimated to be **\$4.75** per resident per bed day in 2023–24, **excluding** maintenance costs, which are estimated to be **\$10.53** per resident per bed day in 2023–24.

The total administration costs are reported under the following categories of the ACFR:

- Corporate recharge
- Administration employee labour costs
- Other administration costs
- WorkCover premium for administration staff
- Payroll tax for administration staff
- Fringe benefits tax
- Quality, compliance and training external costs
- Insurances.

The administration costs have been apportioned between Care, Hotel and Accommodation as:

- 37.0 per cent Care
- 33.6 per cent Hotel
- 29.4 per cent Accommodation.

This apportionment is based on financial reporting from the [September 2022 Aged Care Financial Performance Survey Report by StewartBrown](#).

IHACPA further notes that any future FWC decisions on minimum wage rises for workers other than direct care workers may impact the hotel cost gap.



**IHACPA**

Independent Health and Aged Care Pricing Authority

Eora Nation, Level 12, 1 Oxford Street  
Sydney NSW 2000

Phone 02 8215 1100

Email [enquiries.ihacpa@ihacpa.gov.au](mailto:enquiries.ihacpa@ihacpa.gov.au)

Twitter [@IHACPA](https://twitter.com/IHACPA)

[www.ihacpa.gov.au](http://www.ihacpa.gov.au)