IHACPA

Annual Report 2023–24

Independent Health and Aged Care Pricing Authority

Acknowledgement of Country

The Independent Health and Aged Care Pricing Authority acknowledges the Traditional Owners and Custodians of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to Elders both past and present.

Contact

If you have any queries about this annual report, please contact:

Independent Health and Aged Care Pricing Authority
Communications and Media Section
Eora Nation, PO Box 483
Darlinghurst NSW 1300

Email communications.ihacpa@ihacpa.gov.au
Phone 02 8215 1100
ABN 27 598 959 960

Website ihacpa.gov.au

Connect

LinkedIn — Independent Health and Aged Care Pricing Authority

YouTube SoundCloud @IHACPA

About this report

This annual report describes the operations and performance of the Independent Health and Aged Care Pricing Authority (IHACPA) during 2023–24. The report was prepared in accordance with legislated reporting requirements under the *Public Governance, Performance and Accountability Act 2013*.

Online version

An online version of this annual report can be accessed at: https://www.ihacpa.gov.au/ihacpa-annual-report-2023-24.

Attribution

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The design of the front cover reflects IHACPA's visual identity with the use of its corporate logo and branded elements. These elements appear on the cover design and throughout the report.

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Welcome from Pricing Authority Chair

I am pleased to present the Independent Health and Aged Care Pricing Authority's (IHACPA) Annual Report for 2023–24.

As the Chair of IHACPA, it was a pleasure to lead the agency to deliver yet another substantial work program.

Pathway to reform

In 2023, IHACPA provided the Australian Government with its first advice on the pricing of residential aged care services for older Australians. IHACPA will continue to provide pricing advice to ensure aged care funding is directly informed by the actual costs of delivering care.

Key to the effectiveness of the Pricing Authority's work since 2011 has been its independence to determine hospital service pricing purely on the basis of data and evidence. The Pricing Authority welcomed the Mid-Term Review of the National Health Reform Agreement Addendum 2020–25 Final Report by Rosemary Huxtable AO PSM and its clear support of our independent role and our contribution towards funding hospital services in Australia.

National efficient price and cost determinations for public hospitals

Following extensive consultation with jurisdictions and the public, IHACPA released the National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2024–25.

The determinations are summarised in the Pricing Framework for Australian Public Hospital Services 2024–25. They are based on an extensive work program of research and analysis into healthcare needs and changes to activity levels, service delivery and models of care.

IHACPA consulted with jurisdictions and broader health stakeholders to compile the pricing framework and analysed all consultation paper submissions.

The pricing framework signalled IHACPA's intent to progress to activity based funding for community mental health care in the near future. However, to further enable jurisdictional readiness for the transition, a fourth and final year of shadow pricing was approved for 2024–25. IHACPA will progress to pricing community mental health care from 1 July 2025.

The determinations also account for the ongoing financial pressures facing public hospital services. This includes inflation and the higher costs associated with treating patients with coronavirus disease 2019 (COVID-19).

Aged care pricing advice

IHACPA provided its first residential aged care pricing advice to the Australian Government in 2023. The agency will continue to undertake regular cost data collections and use other available datasets and information to refine its pricing framework and methodology over time.

The agency also completed its first national costing study into aged care Support at Home services. The purpose of this study was to establish a method of consistent data collection. The data will be expanded to ensure pricing advice reflects the costs of delivering these services and supports transparent funding.

The study also provided IHACPA with a better understanding of current service provision, data maturity and the drivers of cost variation of in-home aged care services.

Additional work will be undertaken by IHACPA to build on the learnings from this initial study and create broader sector awareness.

National Disability Insurance Scheme pricing reforms project

In 2023–24 the Pricing Authority received a request from the Minister for Health and Aged Care to work with the Department of Social Services (DSS) and the National Disability Insurance Agency (NDIA) to undertake initial work on possible National Disability Insurance Scheme (NDIS) pricing function reforms.

Preliminary discussions and collaboration for this work were in response to recommendations from the Independent Review of the NDIS. The review recommended reforming the NDIS pricing and payments framework and transitioning the responsibility for advising the government on suitable indicators of market prices and price caps to IHACPA.

This work will continue in 2024–25 in addition to providing pricing and costing advice for public hospitals and aged care.

Commendations

IHACPA continues to build strategic and trusted partnerships with all Australian governments, peak bodies and associations. The agency values the contribution of Australian public hospitals, aged care providers and other stakeholders. Engaging with and listening to our key stakeholders is a critical part of how we fulfill our statutory functions.

I would like to highlight the contributions made by our Aged Care Advisory Committee, Clinical Advisory Committee and Jurisdictional Advisory Committee whose expert guidance and advice is essential to the decisions we make.

I commend the outstanding work of all the Pricing Authority members. Each member has contributed their considerable expertise, wisdom and judgement in ensuring another successful year for IHACPA.

I also thank IHACPA staff for their continued commitment to the delivery of a successful program of work this year.

We continue to be recognised for our leading work in providing the Australian Government with evidence-based pricing and costing determinations and advice.

This recognition is a strong endorsement of the skills, expertise and reputation we have built for our agency.

I look forward to working with the Pricing Authority, IHACPA staff and our network of stakeholders to contribute further to the delivery of transparent, sustainable, efficient and high-quality hospital and aged care services for all Australians.

Mr David Tune AO PSM

Chair, Independent Health and Aged Care Pricing Authority

Letter of transmittal

Ref: D24-17881

The Hon Mark Butler MP
Minister for Health and Aged Care
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister,

On behalf of the Independent Health and Aged Care Pricing Authority (IHACPA), I am pleased to submit to you IHACPA's annual report and financial statements for the financial year ended 30 June 2024 for presentation to parliament.

The Annual Report 2023–24 has been prepared in accordance with the requirements of the *National Health Reform Act 2011* (NHR Act), the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

The report's annual performance statements were prepared in accordance with the requirements of section 39 of the PGPA Act. The report includes the agency's audited financial statements, as required by section 42 of the PGPA Act.

As required by section 10 of the PGPA Rule, I certify that IHACPA has in place appropriate measures to prevent, detect and manage the risk and incidents of fraud.

Yours sincerely,

Professor Michael Pervan
Chief Executive Officer
Independent Health and Aged Care Pricing Authority

27 September 2024

cc: The Hon Anika Wells MP, Minister for Aged Care and Minister for Sport

cc: The Hon Bill Shorten MP, Minister for the National Disability Insurance Scheme and Minister for Government Services

Contents

Approval by accountable authority

The Independent Health and Aged Care Pricing Authority is a corporate Commonwealth entity. This report has been prepared in accordance with the requirements of sections 17BA to 17BF of the Public Governance, Performance and Accountability Rule 2014. This report also contains information required under other applicable legislation, including the *Work Health and Safety Act 2011*.

As the accountable authority for the purposes of the *Public Governance, Performance and Accountability Act 2013*, I am responsible for preparing this annual report and providing a copy to the responsible minister.

Professor Michael Pervan

Chief Executive Officer
Independent Health and Aged Care Pricing Authority
27 September 2024

Table 1: Details of accountable authority during the current report period (2023–24)

Professor Michael Pervan

Position title

Chief Executive Officer

Qualifications of the accountable authority

Bachelor of Arts (Honours) UWA 1987

Cert. Legal Studies ECU 1998

Churchill Fellow 1998

Experience of the accountable authority

Professor Michael Pervan was appointed as Chief Executive Officer of IHACPA on 1 February 2023. Prior to this, Michael was Secretary of the Department of Natural Resources and Environment Tasmania, the Department of Communities Tasmania and the Department of Health where for nearly a decade he was responsible for designing and implementing major health sector and organisational reforms.

Michael has represented Western Australia and Tasmania at the Australian Health Ministers Advisory Council and at the Council of Australian Governments' working groups on system reform, health workforce and mental health over a number of years.

Date of commencement

1 February 2023

Date current appointment ends

31 January 2028

Number of meetings of the Pricing Authority attended

10

Executive member / Non-executive member

Executive

01

About IHACPA

1.1 Who we are

The Independent Health and Aged Care Pricing Authority (IHACPA) is an independent government agency. We assist the Australian Government to fund hospital and aged care services more efficiently by providing evidence-based price determinations and pricing advice.

IHACPA delivers an annual program of work through consultation and collaboration with the Australian Government, state and territory governments, advisory committees, key stakeholders and the public.

The Pricing Authority is IHACPA's board and it provides advice to the government. The Chief Executive Officer is responsible for the day-to-day management of IHACPA and our staff.

Our organisational values shape IHACPA's culture and stakeholder engagement.

These are our core values:

- We act with independence, transparency, fairness, respect, accuracy and accountability.
- We value collaboration and demonstrate our values in the way we interact internally, with our stakeholders and with the broader community.
- We value the work, talent and contribution of our staff, and create organisation-wide development strategies to maintain and grow expertise and intellectual capital.
- Our staff act ethically, support a collaborative culture and take pride in their work.

Responsible minister

IHACPA sits within the Department of Health and Aged Care portfolio.

The ministers responsible for this reporting period were the Hon Mark Butler MP, Minister for Health and Aged Care and the Hon Anika Wells MP, Minister for Aged Care and Minister for Sport.

Ministerial directions and government policy orders

IHACPA did not receive any ministerial directions in 2023–24.

1.2 What we do

Functions

IHACPA's main functions in relation to public hospitals and aged care are to:

1. determine the national efficient price for health care services provided by public hospitals where the services are funded on an activity basis
2. determine the efficient cost for health care services provided by public hospitals where the services are block funded
3. advise the Commonwealth in relation to certain health care pricing and costing matters (if requested by the relevant ministers or the Secretary of the Department of Health and Aged Care)
4. provide advice about certain aged care pricing and costing matters to each relevant Commonwealth minister
5. perform such functions as are conferred on IHACPA by the Aged Care Act
6. approve higher maximum accommodation payment amounts and extra service fees as set out under section 52G–4 and 35–1 of the Aged Care Act.

Figure 1: Key agency functions

Legislation

IHACPA is a corporate Commonwealth entity governed by the *Public Governance, Performance and Accountability Act 2013*. It was established in 2011 under the *National Health Reform Act 2011* (NHR Act) to promote improved efficiency in, and access to, public hospital services through the provision of independently determined pricing advice to all Australian governments.

On 12 August 2022, amendments to the NHR Act and the *Aged Care Act 1997* expanded IHACPA's remit.

National Health Reform Agreement

IHACPA was established under the NHR Act, giving effect to the National Health Reform Agreement (NHRA) signed by the Australian Government and all Australian states and territories in August 2011.

The NHRA sets out the intention of all Australian governments to work together to improve health outcomes for every Australian.

On 29 May 2020, all Australian governments signed the Addendum to the National Health Reform Agreement 2020–25.

The Addendum to the National Health Reform Agreement:

- maintains a commitment to activity based funding
- reaffirms the independence and functions of the national agencies, such as the Independent Health and Aged Care Pricing Authority, the National Health Funding Body and the Australian Commission on Safety and Quality in Health Care
- retains the 45% Commonwealth funding contribution in growth and the 6.5% annual national growth cap
- continues to integrate safety and quality reforms into the pricing and funding of public hospital services, including the current arrangements for sentinel events and hospital acquired complications.

National efficient price (hospitals)

The national efficient price (NEP) is based on the average cost of a hospital admission across Australia and is a determinant, along with the volume and mix of services delivered, of the Australian government's funding contribution to public hospitals in states and territories.

To enable the fair calculation of the government's growth funding, IHACPA back-casts the NEP whenever significant changes to the methodology or underlying data occur. This is required under the National Health Reform Agreement (clause A40).

National efficient cost (hospitals)

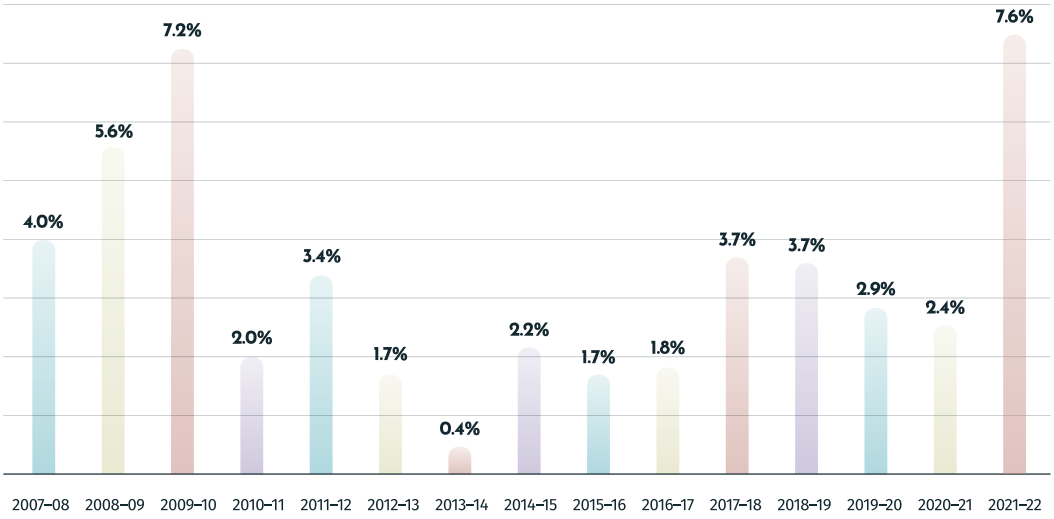
The national efficient cost (NEC) represents the average cost of government funding contributions for services that are not suitable for activity based funding, such as small rural and regional hospitals.

The fixed-plus-variable structure enables changes in activity delivered in small rural hospitals to be reflected in funding and ensures there is no disincentive for states and territories to provide services in rural areas.

Sustainable growth in hospital costs

With an average annual growth rate since 2011–12 of 2.8%, Figure 2 indicates a significant increase in the most recent year. This latest year of data was from 2021–22 which saw the end of many COVID-19 related restrictions and higher inflation across many parts of the economy.

Figure 2: Change in cost per national weighted activity unit



Safety and quality reforms in hospitals

The program of work for pricing and funding for safety and quality stems from the Council of Australian Governments Health Council Heads of Agreement on Public Hospital Funding in April 2016.

In 2017, all Australian governments signed an Addendum to the NHRA. With the addendum, parties committed to develop and implement reforms to improve health outcomes for all Australians through funding and pricing. These reforms were designed to improve patient outcomes in the public health system and decrease avoidable demand for public hospital services.

In addition, these pricing and funding approaches were intended to complement existing strategies to improve safety and quality in public health care.

IHACPA works together with the Australian Commission on Safety and Quality in Health Care to incorporate safety and quality measures into the determination of the NEP.

Under the 2017–20 Addendum to the NHRA, IHACPA advised on options for a comprehensive and risk-adjusted model to determine how funding and pricing can be used to improve patient outcomes across three key areas: sentinel events, hospital acquired complications and avoidable hospital readmissions.

Under the 2020–25 Addendum to the NHRA, IHACPA is required to continue reforms to integrate safety and quality into the pricing and funding approaches for public hospital services. The aim of these reforms is to further improve the health outcomes of patients and decrease avoidable demand for public hospital services.

The implementation of pricing and funding for safety and quality has been rolled out in stages as follows.

Sentinel events

- Sentinel events are a subset of adverse patient safety events that are preventable and result in serious harm to, or death of, a patient.
- Since 1 July 2017, no Commonwealth funding has been provided for any public hospital episode that includes a sentinel event. This approach applies to both activity based and block funded hospitals.

Hospital acquired complication

- A hospital acquired complication refers to a complication for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. IHACPA has worked with the Australian Commission on Safety and Quality in Health Care and other stakeholders to develop an agreed list of hospital acquired complications.
- From 1 July 2018, funding has been reduced for any episode of admitted acute care where a hospital acquired complication such as falls, infections or pressure injuries occur during a hospital stay.

Avoidable hospital readmission

- 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.
- From 1 July 2021, a risk-adjusted reduction has been applied to the funding for the index admission, based on the total price of the associated readmission.

Evaluation of safety and quality reforms

- The 2020–25 Addendum to the NHRA stipulates that IHACPA will work with the Administrator of the National Health Funding Pool and the Australian Commission on Safety and Quality in Health Care (the national bodies) to develop an evaluation framework to evaluate the implemented reforms for sentinel events, hospital acquired complications and avoidable hospital readmissions.
- IHACPA led the development of a proposed approach to evaluate the implemented safety and quality reforms, which was provided to the Health Ministers' Meeting for consideration in October 2021. This was part of the joint advice from the national bodies.

Avoidable and preventable hospitalisations

- Under the 2020–25 Addendum to the NHRA, IHACPA is required to provide joint advice with the national bodies on options for the further development of safety and quality-related reforms, including examining ways that avoidable and preventable hospitalisations can be reduced.
- IHACPA contributed to the development of advice on options for further safety and quality-related reforms and will consider feedback and directives from the Health Ministers' Meeting prior to progressing this program of work.

Aged care reform

Residential aged care pricing and costing advice

IHACPA provides the government with annual residential aged care and residential respite care pricing advice, with the first pricing advice delivered in April 2023. IHACPA's advice was accepted by the minister and implemented from 1 July 2023. Supplementary pricing advice was issued to the government and applied in August 2023 to account for changes to the National Minimum Wage Order.

IHACPA undertakes regular cost collections and uses existing available datasets and information to refine the pricing framework and methodology. IHACPA completed the first Residential Aged Care Costing Study in 2023. The results of the collection informed recommendations for the Australian National Aged Care Classification (AN-ACC) price and updated price weights (measured in national weighted activity units), for use from 1 October 2024.

Support at Home

IHACPA undertook its initial Support at Home costing study in 2023. The results of the study will inform pricing advice to government for the Support at Home program.

The agency has commenced additional costing studies. These will take recommendations from previous studies to refine data collection and IHACPA's understanding of service delivery costs.

Refundable accommodation deposit

Residential aged care providers seeking to charge a resident more than $550,000 as a refundable accommodation deposit (RAD), or an equivalent daily amount, must apply to IHACPA for approval to charge this greater amount. An approval is valid for four years.

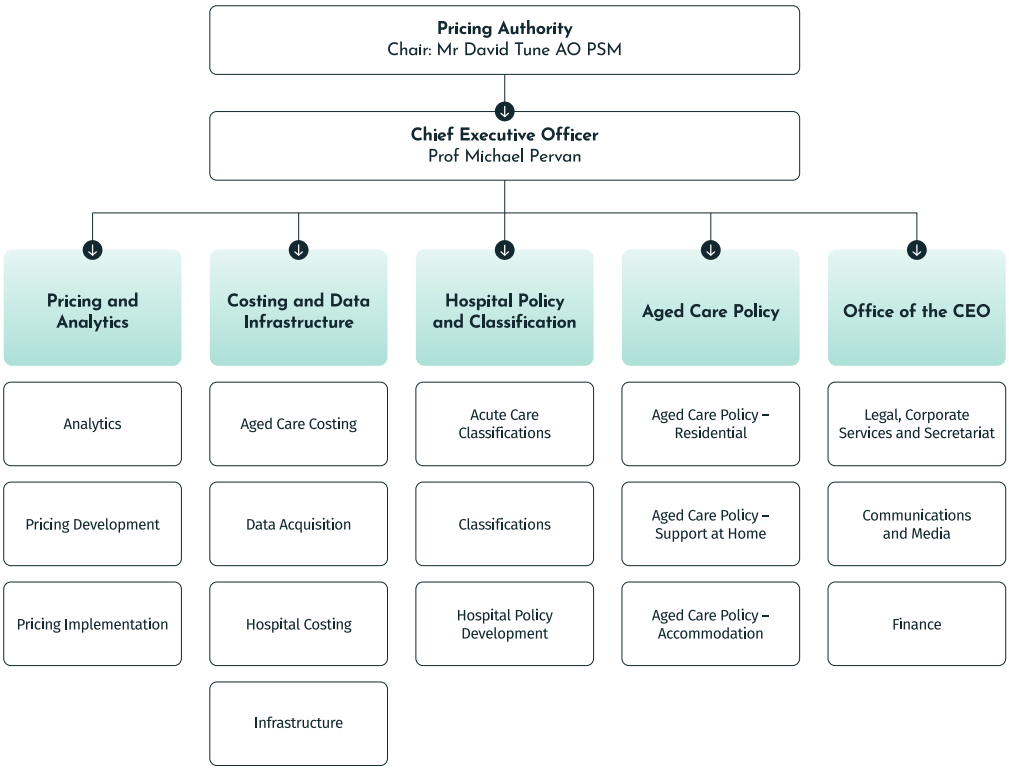
A RAD is the lump-sum payment for a room (or part of a room) in an aged care home. The price is for residents who are not eligible for Australian Government assistance.

Extra service fees

Residential aged care providers with extra service status that are seeking to charge a resident an increase to the extra service fee must apply to IHACPA for approval. Extra service status is granted by the Australian Government to charge a fee for significantly higher standards of food, entertainment options, enhanced personal services, specific products or organised outings. Once approved, this increase to the extra service fee does not expire.

1.3 Organisational structure

Figure 3: IHACPA's organisational structure as at 30 June 2024



IHACPA is a corporate Commonwealth entity consisting of a Chair, Deputy Chair (Hospital Pricing), Deputy Chair (Aged Care Pricing), and up to 6 other members. See page 24 for more information.

The Chief Executive Officer is responsible for the management of IHACPA and its staff. Under section 163(4) of the *National Health Reform Act 2011*, the Chief Executive Officer is the accountable authority of IHACPA for the purposes of the *Public Governance, Performance and Accountability Act 2013* and therefore for the purposes of this annual report.

To achieve its annual program of work, IHACPA consults and collaborates with the Australian Government, state and territory governments, advisory committees, key stakeholders and the public.

IHACPA is primarily based in Sydney with a small office in Canberra.

1.4 Committees and working groups

IHACPA has developed a comprehensive committee framework. The committees provide the agency with expert advice and ensure transparency in the delivery of its work program.

IHACPA's statutory committees are comprised of the Clinical Advisory Committee, the Aged Care Advisory Committee and the Jurisdictional Advisory Committee. The committees are established under Parts 4.10, 4.11A and 4.11 of the *National Health Reform Act 2011* (the NHR Act) respectively.

Other advisory committees and working groups have been established to assist IHACPA in the delivery of its work program, pursuant to Part 4.12 of the NHR Act. These include:

- Activity Based Funding Technical Advisory Committee
- Audit, Risk and Compliance Committee (internal)
- Classifications Clinical Advisory Group
- Data Governance Steering Committee (internal)
- Diagnosis Related Groups (DRG) Technical Group
- Emergency Care Advisory Working Group
- Interim Aged Care Working Group[1]
- International Classification of Diseases (ICD) Technical Group
- Mental Health Working Group
- National Hospital Cost Data Collection (NHCDC) Advisory Committee
- Non-Admitted Care Advisory Working Group
- Private Sector National Hospital Cost Data Collection Working Group
- Small Rural Hospitals Working Group
- Stakeholder Advisory Committee
- Subacute Care Working Group
- Teaching, Training and Research Working Group
- Workplace Health and Safety Committee (internal).

Committees and working groups are structured in a way that enhances IHACPA's statutory functions. Some committees and working groups may also have sub-committees to assist in the delivery of IHACPA's work program. All committees and working groups have Terms of Reference setting out their role, function, membership and reporting relationship.

1 This working group is no longer in operation. It was disbanded in November 2023 with the appointment of members to the Aged Care Advisory Committee.

Jurisdictional Advisory Committee

The Jurisdictional Advisory Committee was established under section 195 of the NHR Act. It consists of a Chair, appointed by the Pricing Authority, and 9 other members. One member represents each state and territory and one represents the Australian Government.

Committee members are appointed by the head of the health department of the jurisdiction they represent.

The Jurisdictional Advisory Committee met on 10 occasions between 1 July 2023 and 30 June 2024.

As of 30 June 2024, members of the Jurisdictional Advisory Committee members comprised:

- Prof Michael Pervan (Chair)
- Mr Michael Moltoni (Western Australia)
- Ms Fifine Cahill (Australian Government)
- Mr Michael Culhane (Australian Capital Territory)
- Ms Alisha Lucas (Queensland)
- Dr Andrew Haywood (Victoria)
- Mr Damien Smith (Proxy-Tasmania)
- Ms Julienne TePohe (South Australia)
- Mr Stathi Tsangaris (Northern Territory)
- Ms Deborah Willcox (New South Wales).

During the reporting period, there were changes to the Western Australia, Queensland, Tasmania and Victoria memberships.

Audit, Risk and Compliance Committee

The IHACPA Audit, Risk and Compliance Committee provides independent advice to the Chief Executive Officer on managing IHACPA's financial and business risk.

The Audit, Risk and Compliance Committee Charter is available at ihacpa.gov.au/audit-risk-and-compliance-committee.

The Audit, Risk and Compliance Committee met on 4 occasions between 1 July 2023 and 30 June 2024. IHACPA's Chief Executive Officer Prof Michael Pervan attended all 4 meetings.

During the reporting period, members of the Audit, Risk and Compliance Committee comprised:

- Ms Angela Diamond, Chair and independent member
- Mr Glenn Appleyard, member, Pricing Authority
- Mr John Lenarduzzi, independent member
- Ms Joanna Stone, independent member.

Table 2: Details of Audit, Risk and Compliance Committee during the reporting period (2023–24)

Member name	Details
Ms Angela Diamond	**Qualifications, knowledge, skills and experience** Ms Angela Diamond has held several senior finance positions within the public service and is currently the Chief Financial Officer at Services Australia. Angela has a Bachelor of Commerce from the Australian National University and is a Certified Practising Accountant. **Number of meetings attended/ total number of meetings eligible** 3/4 **Total annual remuneration** Nil — employed by a Cth entity **Additional information** Chair and independent member

Member name	Details
Mr Glenn Appleyard	**Qualifications, knowledge, skills and experience** Mr Glenn Appleyard has been a member of the Pricing Authority since 2011. He was a member of the Australian Accounting Standards Board from 1 January 2003 to 31 December 2011. Glenn has held several senior positions within the public service including Deputy Secretary in the Tasmanian and Victorian Departments of Treasury and Finance, and Regional Director for the Australian Bureau of Statistics in Tasmania. He was a member of the Commonwealth Grants Commission for 11 years and was Chair of the Tasmanian Economic Regulator. **Number of meetings attended/ total number of meetings eligible** 4/4 **Total annual remuneration** $4,616 **Additional information** Pricing Authority member
Mr John Lenarduzzi	**Qualifications, knowledge, skills and experience** John Lenarduzzi is the Director of Global and Commercial Operations of CyberCX's Managed Security Services practice. John has over 20 years' experience working in technology and security environments and spent 7 as a senior executive in Australia's National Intelligence Community. John has a Bachelor of Electrical and Electronic Engineering (Flinders University) and a Master of Business Administration (Deakin). He completed the Senior Executives in National Security Program at Harvard Kennedy School in 2017 and sits as an independent member on 2 audit and risk committee boards. **Number of meetings attended/ total number of meetings eligible** 4/4 **Total annual remuneration** $8,880 **Additional information** Independent member

Member name	Details
Ms Joanna Stone	**Qualifications, knowledge, skills and experience** Ms Joanna Stone has substantial public and private sector management experience and extensive experience across several audit committees as a member and previously as a Chair. Joanna holds formal qualifications in finance. **Number of meetings attended/ total number of meetings eligible** 4/4 **Total annual remuneration** Nil — employed by a Cth entity **Additional information** Independent member

1.5 CEO's year in review

It has been my privilege to be the Chief Executive Officer of IHACPA over the last 18 months, as we continue to develop our understanding and expertise in care pricing and costing. In addition to our work in health care, this year marks our second year of involvement in the provision of pricing and costing advice on aged care services to the Australian Government.

Our success in meeting our work program and the tasks assigned to us by the government were made possible by the skills and expertise of our people, the support and oversight of the Pricing Authority, the immense contribution from our working groups and committees, and our strong relationships with state and territory government agencies, Australian public hospitals, aged care providers and other stakeholders.

Throughout 2023–24, IHACPA remained focused on our overarching goal of providing evidence-based price determinations and pricing advice to fund hospital and aged care services more efficiently for the benefit of all Australians.

Major events in 2023–24

This year marked the completion of our first national residential aged care costing study providing the foundation for our provision of cost-based pricing advice for these services to government. We also saw the development and production of the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024–25 that draws from our analysis of the data provided by the costing study.

We completed our first national costing study into in-home aged care support services. This will contribute to our first pricing advice to government for these services in 2025. Further studies will enable us to improve and refine our understanding of costs in these services that will, in turn, improve our pricing advice.

In addition to the annual cycle of work related to the release of the NEP and NEC Determinations for 2024–25 for public hospitals, IHACPA contributed to the Mid-Term Review of the National Health Reform Agreement Addendum 2020–25. This was made possible through extensive consultation with jurisdictions, stakeholders and the general public. As Australian governments collaborate on the response to the review, IHACPA will continue to contribute in our areas of specialty. We will take the opportunity to reflect on our work and look for ways to improve what we do.

Partnerships

Broadening our relationship with different stakeholders is critical to improving the relevance and strength of our work. IHACPA has entered into relationships with academic institutions internationally. A notable example is our partnership with the University of Sydney's Menzies Centre for Health Policy and Economics to create training and career opportunities for the next generation of health researchers. Our aim with this partnership is to help tackle national skills shortages in health and aged care.

In August 2023, we hosted the IHACPA Conference 2023. Over the 3-day hybrid event, we welcomed 7 keynote presentations, 7 invited speaker presentations, 24 abstract presentations and 518 delegates. Participants from across the health and aged care sectors came together to explore the implementation, impact and opportunities for sustainable and efficient funding under the theme 'The future of funding'.

IHACPA also sponsored the Joint 20th IFHIMA Congress & 40th HIMAA Conference 2023, participated in the series of Aged & Community Care Providers Association (ACCPA) conferences, undertook 4 public consultations and delivered a series of webinars.

Thank you

I take this opportunity to thank the Pricing Authority, the Aged Care Advisory Committee, the Clinical Advisory Committee, the Jurisdictional Advisory Committee and all our committees and working groups. Our work would not be possible without their guidance and support.

I would also like to commemorate Associate Professor Alasdair MacDonald's outstanding contributions as IHACPA Chair of the Clinical Advisory Committee and leader within the industry. Associate Professor MacDonald made a significant contribution to IHACPA for over 11 years. He joined IHACPA's Clinical Advisory Committee as a member in 2012 and became the Chair of the committee in 2015. In his role as Chair, he led and facilitated the Clinical Advisory Committee's ongoing input to the policies outlined in the annual Pricing Framework for Australian Public Hospital Services to ensure they reflected contemporary clinical practice and terminology. Beyond his role at IHACPA, Associate Professor MacDonald was a driving force within the healthcare sector and made enormous contributions across his roles as a physician, administrator and mentor. I am grateful to have had the pleasure of working with such an esteemed professional and acknowledge his extensive efforts at IHACPA.

I wish to congratulate and welcome Professor Susan Moloney, who was appointed Chair of the Clinical Advisory Committee earlier this year.

Finally, I extend my thanks and gratitude to all IHACPA staff for their dedication, support and commitment as our agency continues to expand and evolve.

I am proud to be leading an organisation with such a diverse, resilient and highly-skilled team.

Professor Michael Pervan
Chief Executive Officer

1.6 2023–24 highlights

These are some of the key achievements from IHACPA's Work Program for 2023–24.

2023

July

- Implementation of IHACPA's first Residential Aged Care Pricing Advice 2023–24.
- NHCDC 2020–21 Private Sector Cost Report published.

August

- Residential Aged Care Supplementary Pricing Advice 2023–24 delivered to the Australian Government.
- IHACPA Conference 2023 delivered.

September

- Australian Hospital Patient Costing Standards Version 4.2 published.

November

- Consultation paper on Development of ICD-10-AM/ACHI/ACS Thirteenth Edition and AR-DRG Version 12.0 released.

December

- Pricing Framework for Australian Public Hospital Services 2024–25 published.
- Australian Mental Health Care Classification Version 1.1 released.
- Memorandum of Understanding with the University of Sydney signed.

2024

January

- 2023 Residential Aged Care Costing Study Final Report published.

March

- National Efficient Price Determination 2024–25 and National Efficient Cost Determination 2024–25 for hospitals released.
- Updated advice on the benchmark pricing for prostheses in Australian public hospitals provided to the Department of Health and Aged Care.

May

- Version 9.0 of the Tier 2 Non-Admitted Services Classification for hospitals released.
- Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2025–26 released.
- Support at Home Costing Study 2023 Final Report published.

June

- IHACPA Work Program and Corporate Plan 2024–25 published.
- IHACPA Three Year Data Plan 2024–25 to 2026–27 published.

02

Pricing Authority

2.1 About the Pricing Authority

The Pricing Authority provides independent and transparent advice to the Australian Government in relation to funding for public hospitals and residential aged care services.

Pricing Authority members are appointed for a period of up to 5 years and can be reappointed. The Chair and the Deputy Chair (Aged Care Pricing) are appointed by the Commonwealth Minister for Health and Aged Care. The Deputy Chair (Hospital Pricing) is appointed with the agreement of first ministers of all states and territories. The remaining Pricing Authority members are appointed with the agreement of the Prime Minister and first ministers of the states and territories.

Members of the Pricing Authority bring significant and varied expertise to their roles, including substantial experience and knowledge of the health industry, healthcare needs, the aged care industry, and the provision of health care in regional and rural areas.

The Pricing Authority is supported by the Chief Executive Officer, who is responsible for the running of IHACPA. All Pricing Authority members are non-executive.

Mr David Tune AO PSM, Chair

Mr David Tune AO PSM was appointed Chair of the Pricing Authority with effect from 1 February 2022.

He was formerly Chair of the Aged Care Sector Committee that provided advice to the Commonwealth Government on aged care from early 2015 to July 2021.

He has undertaken many reviews for the Commonwealth and state governments, including the Legislative Review of Aged Care in 2016.

Mr Tune was Secretary of the Commonwealth Department of Finance from 2009 until 2014.

Ms Jennifer Williams AM, Deputy Chair, Hospital Pricing

Ms Jennifer Williams AM holds a number of board positions, including Chair of Northern Health and Chair of Yooralla.

Ms Williams has previously held the positions of Chief Executive of the Australian Red Cross Blood Service, Chief Executive of Alfred Health and Chief Executive of Austin Health.

She has considerable experience in the health sector over several decades, working across the hospital, aged care and community sectors.

Dr Stephen Judd AM, Deputy Chair, Aged Care Pricing

Dr Stephen Judd was Chief Executive of health and aged care services provider, HammondCare, from 1995–2020. When he stepped down, HammondCare had grown to provide care and services to more than 25,000 clients.

Dr Judd has written and contributed to books on dementia care, aged care design and the role of charities in contemporary Australian society. He has served on numerous government and industry committees. Until 2020, he was a member of the Advisory Council of the Australian Aged Care Quality Agency.

He has served as a Senior Visiting Fellow at the School of Population Health, UNSW Medicine, University of New South Wales and as the inaugural Fellow, Council on the Ageing, a peak consumer advocacy group, until the end of 2022.

Mr Glenn Appleyard

Mr Glenn Appleyard was a member of the Australian Accounting Standards Board from 1 January 2003 to 31 December 2011.

Mr Appleyard has held several senior positions within the public service, including Deputy Secretary in the Tasmanian and Victorian Departments of Treasury and Finance, and Regional Director for the Australian Bureau of Statistics in Tasmania.

He was a member of the Commonwealth Grants Commission for 11 years and was the Chair of the Tasmanian Economic Regulator.

Ms Prudence Ford

Ms Prudence Ford is a member of the Health Consumers' Council of Western Australia. She was an inaugural member of the Medical Board of Australia and was previously a member of the National Blood Authority, the National Health and Medical Research Council, the Brightwater Care Group Board (a provider of aged and disability care services) and the Western Australian Medical Board.

Ms Ford has 30 years' experience in the public service at Commonwealth and state levels. She has held senior executive positions in the (then) Commonwealth departments of Community Services and Health, Finance, and the Attorney General, and in the Western Australian Departments of Health and Premier and Cabinet.

Dr Adam Coltzau

Dr Adam Coltzau is the Director of Medical Services at St George Hospital in rural Queensland.

He is a rural generalist with extensive experience in hospital management, aged care and Aboriginal and Torres Strait Islander health.

He is a Fellow of both the Royal Australian College of General Practitioners and Australian College of Rural and Remote Medicine. He is also a senior clinical lecturer at the University of Queensland Rural Clinical School and General Practitioner Training Supervisor.

Dr Coltzau was the former President and served on the boards of the Rural Doctors Association of Queensland and the Rural Doctors Association of Australia.

He also served as the inaugural Chair of the Board of the Rural Doctors Foundation, which he helped establish.

Distinguished Professor Jane Hall AO

Professor Jane Hall AO is a Distinguished Professor of Health Economics at the University of Technology Sydney. She received the National Health and Medical Research Council Outstanding Contribution Award in 2017. She was named as one of the *Australian Financial Review*/*Westpac* 100 Women of Influence in 2016.

Professor Hall is a Fellow of the Academy of Social Sciences in Australia (and a past President) and of the Australian Academy of Health and Medical Sciences.

She has worked across many areas of health economics. Her current research is focussed on funding and financing issues and payment reform.

Ms Jenny Richter AM

Ms Jenny Richter AM holds board positions with the South Australian Health and Medical Research Institute, the Australian Bragg Centre for Proton Therapy and Research, Cancer Council Australia and the Southern Adelaide Local Health Network.

Ms Richter has previously held a number of executive roles, including Deputy Chief Executive for SA Health and Chief Executive Officer of Central Adelaide Local Health Network. She is also a past board member of ECH, a South Australian in-home aged care support provider.

2.2 Meetings of the Pricing Authority 2023–24

The Pricing Authority met on 10 occasions between 1 July 2023 and 30 June 2024. IHACPA's Chief Executive Officer, Professor Michael Pervan, attended 10 meetings as the accountable authority.

Table 3: Meetings of the Pricing Authority 2023–24

Member	Meetings eligible	Meetings attended
Mr David Tune AO PSM, Chair	10	7
Ms Jennifer Williams AM, Deputy Chair, Hospital Pricing	10	10
Dr Stephen Judd AM, Deputy Chair, Aged Care Pricing	10	9
Mr Glenn Appleyard	10	10
Ms Prudence Ford	10	10
Dr Adam Coltzau	10	10
Distinguished Professor Jane Hall AO	10	9
Ms Jenny Richter AM	10	10

03

Clinical Advisory Committee

3.1 Letter from the Chair

In my first year as the Chair of the Clinical Advisory Committee, it is a privilege to present our annual report for 2023–24.

Having succeeded Associate Professor Alasdair MacDonald as Chair of the Clinical Advisory Committee, I realise that I have a significant role to fulfill.

Associate Professor MacDonald was a well-respected and admired professional. With his skills and leadership shining at a national level, he steered the committee through some incredibly technical and complex issues, always bringing the clinician's mind to the committee's deliberations and outcomes.

During 2023–24, the committee provided valuable clinical input into updating the calculation of safety and quality adjustments. More specifically, the list of diagnosis codes used to define risk factors across both hospital acquired complications and avoidable hospital readmissions that IHACPA updated. These were applied to the National Efficient Price 2023–24 (NEP23) model to examine and illustrate the impact.

The committee also provided advice on IHACPA's development of an updated version of the Australian Emergency Care Classification (AECC). These changes were based on detailed analysis and comprehensive stakeholder consultation undertaken by IHACPA to recalibrate the AECC complexity model using the most recently available national emergency department activity and cost data.

The COVID-19 pandemic had significant impacts on models of care. The committee continued to work closely with IHACPA to advise on the continued suspension of safety and quality adjustments, as well as the appropriateness of price stabilisation for certain end-classes.

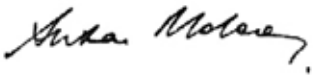
I would like to take this opportunity to thank my fellow committee members for their contribution and commitment to driving meaningful change in the healthcare sector.

This year we welcomed Dr Amith Sheety, Ms Karrie Long, Dr Marco Briceno and Dr Didier Palmer as new appointees to the committee.

We also farewelled Professor Gerard Carroll, Associate Professor Andrew Wei, Professor Ruth Hubbard, Ms Erin Garner and Mrs Monica Taylor. I would like to thank them for their valuable contributions and expertise.

On behalf of the Clinical Advisory Committee, I acknowledge and extol the Pricing Authority, the Chief Executive Officer and IHACPA staff for delivering a substantial program of work in 2023–24.

I look forward to continuing to lead the work of the Clinical Advisory Committee and I am confident that together with my fellow advisory committee members, we will build on Associate Professor MacDonald's legacy and support the agency to drive its strategic agenda.



Professor Susan Moloney
Chair, Clinical Advisory Committee

3.2 About the Clinical Advisory Committee

The Clinical Advisory Committee is a statutory committee established under section 176 of the *National Health Reform Act 2011*. The functions of the committee, as prescribed under section 177, are to:

- advise the Pricing Authority in relation to developing and specifying classification systems for health care and other services provided by public hospitals
- advise the Pricing Authority on matters that relate to the functions of the Pricing Authority or are referred to the Clinical Advisory Committee by the Pricing Authority
- do anything incidental to, or conducive to, the performance of the above functions.

Clinical Advisory Committee members provide high-level technical and clinical advice to the Pricing Authority on a range of issues, such as activity based funding, classification development and policy development. This advice informs the annual determination of the national efficient price and national efficient cost.

As at 30 June 2024, the Clinical Advisory Committee consisted of 16 members.

The Clinical Advisory Committee is required to report on its work annually. Details of the committee's membership and meetings are shown in table 4.

Membership

Clinical Advisory Committee members are appointed by the Commonwealth Minister for Health and Aged Care. Members are drawn from a range of clinical specialties and backgrounds to ensure the committee represents a wide range of clinical expertise.

Table 4: Membership and meetings of the Clinical Advisory Committee in 2023–24

Member	Position	Specialty	Meetings eligible	Meetings attended
A/Prof Alasdair MacDonald[2]	Chair	Internal medicine	2	2
Prof Susan Moloney	Chair	Paediatrics	5	4
Prof Gerard Carroll	Member	Cardiology/rural	0	0
Ms Nicole Carter (Nee Harwood)	Member	Nursing	5	1
Mr Christopher O'Donnell	Member	Nursing	5	0
A/Prof Nicole Phillips	Member	Administration/anaesthesia and pain management	5	1
A/Prof Virginia Plummer	Member	Nursing	5	5
Ms Amber Polles	Member	Pharmacy	5	3
Ms Elizabeth Prowse	Member	Mental health	5	2
Dr Tracy Smith	Member	Respiratory and palliative care	5	2
Ms Monica Taylor	Member	Mental health	1	0
A/Prof Andrew Wei	Member	Haematology	4	1
Dr Jo Wright	Member	Rural medical practice	5	4
Dr Kathryn Zeitz	Member	Nursing	5	1
Clinical Prof Jenny Deague	Member	Cardiology	5	3
Dr Richard Phoon	Member	Nephrology	5	4
Ms Erin Garner	Member	Allied health	5	0
Prof Ruth Hubbard	Member	Geriatrics	5	0
Dr Amith Shetty	Member	Emergency care	3	2
Ms Karrie Long	Member	Nursing	3	1
Dr Marco Briceno	Member	Indigenous health	3	1
Dr Didier Palmer	Member	Emergency care	3	2

Clinical Advisory Committee meetings 2023–24
24 August 2023
26 October 2023
14 February 2024
10 April 2024
22 May 2024

2 A/Prof MacDonald served as Chair of the Clinical Advisory Committee until his passing in December 2023.

04.

Aged Care Advisory Committee

4.1 Letter from the Chair

As Deputy Chair, Aged Care Pricing, of the Pricing Authority and Chair of the Aged Care Advisory Committee, it is a privilege to write this year's letter outlining the contributions of the Aged Care Advisory Committee for the financial year ended on 30 June 2024.

Established under section 204A of the *National Health Reform Act 2011*, the committee provides advice to the Pricing Authority on matters related to aged care pricing, costing and other aged care matters.

During 2023–24, committee members provided input into the Residential Aged Care Pricing Advice 2024–25. This advice is one of the key elements that informs the Australian National Aged Care Classification (AN-ACC) residential aged care funding model, which is administered by the Department of Health and Aged Care.

An essential component of developing pricing advice is cost collection. This includes the identification of existing cost structures and changes to those costs over time, as well as specific variances within the sector that impact on cost. The committee was pleased to give its advice on the approach for the Residential Aged Care Cost Collection 2024.

In response to the government's reforms in the in-home aged care sector, the committee also worked closely with IHACPA to understand the costs associated with the provision of in-home aged care. IHACPA undertook its first national costing study into in-home aged care services and will build on the learnings from this initial study to support the pricing advice provided to government for the new Support at Home program.

I particularly thank my fellow committee members for their dedication and high degree of engagement in our deliberations this year.

I believe I also speak for all committee members in expressing our appreciation of the expertise and effort of all the IHACPA staff with whom we have worked.

I look forward to the year ahead and the invaluable contribution that committee members make to the Pricing Authority's aged care advice.

Dr Stephen Judd AM
Deputy Chair, Aged Care Pricing, of the Pricing Authority and Chair of the Aged Care Advisory Committee

4.2 About the Aged Care Advisory Committee

The Aged Care Advisory Committee is a statutory committee established under section 204A of the *National Health Reform Act 2011*. The functions of the committee, as prescribed under section 204B, are to:

- advise the Pricing Authority in relation to the development of aged care pricing or costing advice
- advise the Pricing Authority on matters that relate to the functions of the Pricing Authority or are referred to the Aged Care Advisory Committee by the Pricing Authority
- do anything incidental to, or conducive to, the performance of the above functions.

The Aged Care Advisory Committee informs the Pricing Authority decision making. This includes advice on the relevant factors associated with the delivery of care and services in residential aged care, residential respite care and in-home aged care. The committee also provides advice on the inputs to the development of pricing advice.

As at 30 June 2024, the Aged Care Advisory Committee consisted of 7 members.

The Aged Care Advisory Committee is required to report on its work annually. Details of the committee's membership and meetings are shown in table 5.

Membership

Aged Care Advisory Committee members are appointed by the Commonwealth Minister for Health and Aged Care. Members are drawn from a range of specialties and backgrounds to ensure the committee represents a wide range of aged care expertise.

Table 5: Membership and meetings of the Aged Care Advisory Committee in 2023–24

Name	Position	Meetings eligible	Meetings attended
Dr Stephen Judd[3]	Chair	4	3
Ms Rowan Cockerell	Member	4	4
Ms Prudence Ford[4]	Member	4	4
Dr Martin Laverty	Member	4	4
Mr Nicolas Mersiades	Member	4	4
Professor Julie Ratcliffe	Member	4	4
Professor Michael Woods	Member	4	4

Aged Care Advisory Committee meetings 2023–24
10 October 2023
6 November 2023
28 February 2024
15 May 2024

3 Dr Judd is also the Deputy Chair of the Pricing Authority (Aged Care Pricing).
4 Ms Ford is also a member of the Pricing Authority.

05

Annual performance statements

5.1 Introductory statement

I, Prof Michael Pervan, as the accountable authority of the Independent Health and Aged Care Pricing Authority (IHACPA), present the 2023–24 annual performance statements of IHACPA, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity and comply with sub-section 39(2) of the PGPA Act (section 16F of the PGPA Rule).

5.2 Performance in 2023–24 – Portfolio Budget Statements

This year, IHACPA made significant contributions towards improving the efficiency of health and aged care services by meeting its performance criteria and deliverables outlined in the IHACPA Work Program and Corporate Plan 2023–24.

The IHACPA Work Program and Corporate Plan provides a more detailed account of the objectives and deliverables to those included in the Portfolio Budget Statements. It is developed each year through a consultative process with government and health and aged care sector stakeholders and is published on the IHACPA website at ihacpa.gov.au/publications.

Figure 4: Relationship between the sources of reporting for the Annual Report 2023–24 Performance Statement

Portfolio Budget Statements

Outcome

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.

Program 1.1 Development of Pricing Advice and Annual Determinations

IHACPA promotes improved efficiency in, and access to, public hospital and aged care services by providing independent advice to the Australian and state and territory governments regarding pricing of healthcare and aged care services, and by developing and implementing robust systems to support activity based funding for those services.

IHACPA Work Program and Corporate Plan

Strategic Objective One

Perform pricing functions

Strategic Objective Two

Refine and develop hospital and aged care activity classification systems

Strategic Objective Three

Refine and improve hospital and aged care costing

Strategic Objective Four

Determine data requirements and collect data

Strategic Objective Five

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

Strategic Objective Six

Conduct independent and transparent decision-making and engage with stakeholders

5.3 Strategic Objective One: Perform pricing functions

IHACPA's primary functions are to produce the national efficient price (NEP) determination and the national efficient cost (NEC) determination as well as aged care pricing advice each year.

Public hospital services

The Pricing Framework for Australian Public Hospital Services forms the policy basis for the determinations. The framework outlines the principles, scope and methodology used by IHACPA in determining the NEP and NEC for public hospital services in the upcoming financial year.

In refining the national pricing model for the National Efficient Price Determination 2024–25 (NEP24) and National Efficient Cost Determination 2024–25 (NEC24), IHACPA sought to account for the ongoing financial pressures facing public hospital services. This includes the pressures arising from inflation and the higher costs associated with treating patients with coronavirus disease 2019 (COVID-19).

During 2023–24, IHACPA continued to refine the models used to determine the NEP and NEC. This included extensive analysis and consultation with jurisdictions to assess and account for the impact of COVID-19 on cost and activity data, and the expected changes to public hospital activity, costs and models of care in 2024–25. IHACPA has also continued analysis on the intensive care unit adjustment eligibility criteria as part of a multi-year program of work to review a range of adjustments to the pricing model.

Aged care

The Pricing Framework for Residential Aged Care Services 2023–24 forms the policy basis for the Residential Aged Care Pricing Advice 2023–24 (RACPA23). The RACPA23 was developed with consideration of aged care reforms as implemented by the government, including care minute requirements and incorporating the Fair Work Commission Stage 2 wage case decision in relation to nursing and other staff in aged care services once handed down.

IHACPA is committed to engaging with the aged care sector and its stakeholders to ensure a transparent, evidence-based approach in the development of advice to the government. The implementation of pricing will be a multi-year process.

IHACPA will continue to work with stakeholders to build collections of data and evidence that will support the provision of hospital and aged care pricing or costing advice over the coming years.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective One in the IHACPA Work Program and Corporate Plan 2023–24, as part of Program 1.1 of the Portfolio Budget Statements.

Table 6: Summary of performance for Strategic Objective One in 2023–24

	Deliverables	Timeframe	Outcome
1.	Complete the public consultation process for the Pricing Framework for Australian Public Hospital Services 2024–25.	Jul 2023	Delivered
2.	Provide the draft Pricing Framework for Australian Public Hospital Services 2024–25 to health ministers for a 45-day comment period.	Sep 2023	Delivered
3.	Publish the final Pricing Framework for Australian Public Hospital Services 2024–25 on the IHACPA website.	Dec 2023	Delivered
4.	Finalise decisions on the General List of In-Scope Public Hospital Services for additional or altered in-scope services for 2024–25.	Dec 2023	Delivered
5.	Finalise decisions on jurisdictional submissions for legitimate and unavoidable cost variations to determine whether adjustments are required for the National Efficient Price Determination 2024–25.	Dec 2023	Delivered
6.	Provide the draft National Efficient Price Determination and National Efficient Cost Determination 2024–25 to health ministers for a 45-day comment period.	Dec 2023	Delivered
7.	Publish the National Efficient Price Determination and National Efficient Cost Determination 2024–25 on the IHACPA website.	Mar 2024	Delivered
8.	Incorporate safety and quality reforms into the pricing and funding of public hospital services.	Ongoing	Delivered
9.	Provide confidential national efficient price forecast for future years to jurisdictions.	Mar 2024	Delivered
10.	Publish the Supplementary Block-Funding Advice to the Administrator of the National Health Funding Pool 2023–24.	May 2024	Delivered
11.	Review the eligibility criteria for specified intensive care units and specialised children's hospitals.	Dec 2023	Ongoing
12.	Review the national efficient price and national efficient cost indexation methodologies.	Dec 2023	Delivered
13.	Review the funding methodology for unqualified newborns.	Dec 2023	Ongoing
14.	Investigate and implement other pricing model refinements in consultation with jurisdictions.	Ongoing	Delivered

Deliverables		Timeframe	Outcome
15.	Complete the public consultation process for the Pricing Framework for Australian Residential Aged Care Services 2024–25.	Aug 2023	Delivered
16.	Provide the draft Pricing Framework for Australian Residential Aged Care Services 2024–25 to the Commonwealth minister.	Dec 2023	Delivered
17.	Publish the final Pricing Framework for Australian Residential Aged Care Services 2024–25 on the IHACPA website.	Jun 2024	Ongoing
18.	Provide pricing advice to inform Commonwealth Government decisions on residential aged care and respite care funding for 2024–25.	Mar 2024	Ongoing
19.	Develop pricing advice to inform Commonwealth Government decisions on the Support at Home Program.	Ongoing	Ongoing
20.	Assess applications for increases to extra service fees under section 35-1(2) of the *Aged Care Act 1997*.	Ongoing	Ongoing
21.	Assess applications for refundable accommodation deposit amounts above the minister's maximum under section 52G-4(5) of the *Aged Care Act 1997*.	Ongoing	Ongoing
22.	Provide advice, as requested, to the Commonwealth Department of Health and Aged Care to support the Prostheses List reforms.	Ongoing	Delivered

Performance criteria	Results against performance criteria
1. Complete the public consultation process for the Pricing Framework for Australian Public Hospital Services 2024–25 by July 2023.	The Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2024–25 was released for public consultation on 14 June 2023, with the public consultation period closing on 14 July 2023.
2. Provide the draft Pricing Framework for Australian Public Hospital Services 2024–25 to health ministers for a 45-day comment period by September 2023.	The draft Pricing Framework for Australian Public Hospital Services 2024–25 was released to health ministers on 13 September 2023.
3. Publish the final Pricing Framework for Australian Public Hospital Services 2024–25 by December 2023 on the IHACPA website.	The final Pricing Framework for Australian Public Hospital Services 2024–25 was published on 13 December 2023.

Performance criteria	Results against performance criteria
4. Finalise decisions on the General List of In-Scope Public Hospital Services for additional or altered in-scope services for 2024–25 by December 2023.	IHACPA assessed requests for in-scope public hospital services as per the annual General List of In-Scope Public Hospital Services process. The outcome was published in the draft National Efficient Price Determination 2024–25 and released to health ministers on 12 December 2023.
5. Finalise decisions on jurisdictional submissions for legitimate and unavoidable cost variations to determine whether adjustments are required for the National Efficient Price Determination 2024–25 by December 2023.	IHACPA assessed requests for adjustments to the national pricing model as per its annual assessment of legitimate and unavoidable cost variations process. The outcome was published in the draft National Efficient Price Determination 2024–25 and released to health ministers on 12 December 2023.
6. Provide the draft National Efficient Price Determination and National Efficient Cost Determination 2024–25 to health ministers for a 45-day comment period by December 2023.	The draft National Efficient Price Determination 2024–25 and National Efficient Cost Determination 2024–25 were provided to health ministers on 12 December 2023.
7. Publish the National Efficient Price Determination and National Efficient Cost Determination 2024–25 on the IHACPA website by March 2024.	The National Efficient Price Determination 2024–25 and National Efficient Cost Determination 2024–25 were published on 19 March 2024.
8. Incorporate safety and quality reforms into the pricing and funding of public hospital services.	IHACPA continues to incorporate approaches for sentinel events, hospital acquired complications and avoidable hospital readmissions into the pricing and funding of public hospital services. During 2023–24, the safety and quality models for hospital acquired complications and avoidable hospital readmissions received technical updates in consultation with clinical and jurisdictional stakeholders to ensure they remain based on the most contemporary classification data.
9. Provide confidential national efficient price forecast for future years to jurisdictions by March 2024.	The confidential national efficient price forecast was provided to first ministers on 14 February 2024.

Performance criteria	Results against performance criteria
10. Publish the Supplementary Block-Funding Advice to the Administrator of the National Health Funding Pool 2023–24.	The Supplementary Block-Funding Advice to the Administrator of the National Heath Funding Pool 2023–24 was published on 12 June 2024.
11. Review the eligibility criteria for specified intensive care units and specialised children's hospitals by December 2023.	IHACPA commenced multi-year work programs to conduct more detailed reviews of the eligibility criteria and adjustments for specified intensive care units and specialised children's hospitals.
12. Review the national efficient price and national efficient cost indexation methodologies by December 2023.	IHACPA engaged an external review team comprising of an independent consultant group and academics to undertake a review of the national efficient price and national efficient cost indexation methodologies. The review team provided the final report on 12 December 2023.
13. Review the funding methodology for unqualified newborns by December 2023.	IHACPA commenced a review of the funding methodology for unqualified newborns.
14. Investigate and implement other pricing model refinements in consultation with jurisdictions.	The national pricing model was updated to incorporate new versions of the subacute and non-acute classification and the non-admitted services classification. The adjustments to the pricing model to account for additional costs of treatment of COVID-19 patients and multidisciplinary clinics were also refined.
15. Complete the public consultation process for the Pricing Framework for Australian Residential Aged Care Services 2024–25 by August 2023.	The public consultation process for the Pricing Framework for Australian Residential Aged Care Services commenced on 17 July 2023 and closed on 31 August 2023.
16. Provide the draft Pricing Framework for Australian Residential Aged Care Services 2024–25 to the Commonwealth minister by December 2023.	The draft Pricing Framework for Australian Residential Aged Care Services 2023–24 was provided to the Minister for Health and Aged Care in March 2024.
17. Publish the final Pricing Framework for Australian Residential Aged Care Services 2024–25 on the IHACPA website by June 2024.	The Pricing Framework for Australian Residential Aged Care Services 2024–25 will be published in the coming months.

Performance criteria	Results against performance criteria
18. Provide pricing advice to inform Commonwealth Government decisions on residential aged care and respite care funding for 2024–25 by March 2024.	IHACPA has provided the minister with the draft Residential Aged Care Pricing Advice 2024–25. The final Residential Aged Care Pricing Advice 2024–25 will be published in the coming months.
19. Develop pricing advice to inform Commonwealth Government decisions on the Support at Home Program.	Two tranches of pricing guidance for Support at Home were provided to the minister in September 2023 and March 2024. IHACPA will provide its first Support at Home Pricing Advice 2025-26 to the minister in early 2025.
20. Assess applications for increases to extra service fees under section 35-1(2) of the *Aged Care Act 1997*.	IHACPA continues to assess applications for extra service fees in line with its legislative responsibility.
21. Assess applications for refundable accommodation deposit amounts above the minister's maximum under section 52G-4(5) of the *Aged Care Act 1997*.	IHACPA continues to assess applications for refundable accommodation deposits above the minister's maximum in line with its legislative responsibility.
22. Provide advice, as requested, to the Commonwealth Department of Health and Aged Care to support the Prostheses List reforms.	Updated advice on the benchmark pricing for prostheses in Australian public hospitals was provided to the Department of Health and Aged Care in March 2024.

Analysis

Public hospitals

Ahead of the release of the annual NEP and NEC determinations, IHACPA conducted extensive consultation with the healthcare community and the general public to inform its policy approach and ensure that the national pricing model accurately reflected variations in costs, activity and how patients access public hospital services. The Pricing Framework for Australian Public Hospital Services 2024–25 was published in December 2023.

NEP24 uses 2021–22 activity data and the 2021–22 National Hospital Cost Data Collection (NHCDC), which was impacted by the COVID-19 pandemic.

In developing NEP24, IHACPA, in consultation with the Australian Government and state and territory governments, undertook extensive analysis to understand the impact of COVID-19 on the 2021–22 activity and NHCDC data. This allowed IHACPA to be responsive to those issues and their impact on pricing model development.

To address ongoing increased length of stay and costs associated with patients being treated for COVID-19 in some Australian Refined Diagnosis Related Group (AR-DRG) end-classes, IHACPA retained a COVID-19 treatment adjustment for relevant AR-DRGs. This was to account for the additional costs associated with treating admitted patients for COVID-19, to mitigate the risk of under-pricing the treatment of COVID-19 patients and any subsequent price distortion.

IHACPA also implemented pricing for classification updates as part of NEP24, including the Australian National Subacute and Non-Acute Patient Classification Version 5.0 and 2 new classes as part of the Tier 2 Non-Admitted Services Classification Version 9.0.

Published in March 2024, NEP24 and NEC24 reflected increased costs reported by jurisdictions with the year-on-year rate of growth in costs per national weighted activity unit at 7.6%. This is notably higher than the long-term average annual growth rate of 2.8% since 2011–12 and reflects the impact of the COVID-19 pandemic on the health system.

In March 2024, IHACPA provided its Benchmark Price for Prostheses in Australian Public Hospitals 2022–23 to the Department of Health and Aged Care.

Analysis

Aged care

To support providing pricing advice to the government, IHACPA released the Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2024–25 and consulted with stakeholders between 17 July 2023 and 31 August 2023. On the basis of this consultation, the Pricing Framework for Australian Residential Aged Care Services 2024–25 was subsequently developed to underpin IHACPA's pricing advice.

In addition, IHACPA continues its aged care functions under section 52G–4(5) and 35-1(2) of the Aged Care Act in the assessment of applications from approved providers seeking approval for accommodation payment amounts higher than the maximum allowed amount of accommodation payment, as determined by the Minister for Health and Aged Care under section 52G–3 of the Aged Care Act. All decisions made by IHACPA for increases to the accommodation payment amount have been completed within legislated timeframes.

IHACPA has continued to assess the applications made by approved providers with extra service status that are seeking an increase to their extra service fee.

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

Activity based funding requires a robust classification system on which pricing can be based.

Classifications provide the health care sector with a nationally consistent method of classifying all types of patients, their treatment and associated costs. This provides better management, measurement and funding of high-quality and efficient health care services.

IHACPA has developed the national classification systems for admitted acute care, admitted subacute and non-acute care, emergency care, non-admitted care, mental health care, and teaching and training.

IHACPA may also be requested to provide advice to the Australian Government on refinements to the Australian National Aged Care Classification (AN-ACC).

Classifications are reviewed regularly and updated periodically. This ensures that episodes are classified into clinically coherent groups with similar costs. Classification refinement is based on robust statistical analysis in consultation with expert clinical advice and stakeholders.

During 2023–24, IHACPA continued its program of work to review and refine classifications.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective Two in the IHACPA Work Program and Corporate Plan 2023–24, as part of Section 1.1 of the Portfolio Budget Statements.

Table 7: Summary of performance for Strategic Objective Two in 2023–24

Deliverables		Timeframe	Outcome
1.	Continue to refine 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.	Ongoing	Ongoing
2.	Continue to develop the Australian Refined Diagnosis Related Groups Version 12.0.	Ongoing	Ongoing
3.	Price admitted subacute and non-acute services using the Australian National Subacute and Non-Acute Patient Classification Version 5.0 for the National Efficient Price Determination 2024–25.	Mar 2024	Delivered
4.	Refine the Australian National Subacute and Non-Acute Patient Classification.	Ongoing	Ongoing
5.	Refine the Australian Emergency Care Classification Version 1.0.	Ongoing	Ongoing
6.	Refine the data request specifications for emergency virtual care.	Ongoing	Ongoing
7.	Analyse the first year of patient level data for emergency services.	Jun 2024	Ongoing
8.	Continue to maintain the Tier 2 Non-Admitted Services Classification.	Ongoing	Delivered
9.	Undertake a multi-stage project to support the development of a new patient level non-admitted care classification.	Ongoing	Ongoing
10.	Develop a new non-admitted care classification.	Ongoing	Ongoing
11.	Price community mental health care using the Australian Mental Health Care Classification Version 1.0 for the National Efficient Price Determination 2024–25.	Mar 2024	Ongoing
12.	Release the Australian Mental Health Care Classification Version 1.1.	Dec 2023	Delivered
13.	Refine the Australian Mental Health Care Classification.	Ongoing	Ongoing
14.	Continue to work with jurisdictions to implement the Australian Teaching and Training Classification.	Ongoing	Ongoing
15.	Manage the international sales of the admitted acute care classification system.	Ongoing	Ongoing
16.	Assess submissions for new health technologies to ensure they are adequately accounted for in the pricing of public hospital services.	Ongoing	Ongoing
17.	Recommend refinements to the Australian National Aged Care Classification.	Ongoing	Ongoing

Performance criteria	Results against performance criteria
1. Continue to refine 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.	IHACPA continued development of ICD-10-AM/ACHI/ACS Thirteenth Edition, which is scheduled for release in early 2025.
2. Continue to develop the Australian Refined Diagnosis Related Groups Version 12.0.	IHACPA continued to develop the Australian Refined Diagnosis Related Groups Version 12.0, which is scheduled for release in early 2025.
3. Price admitted subacute and non-acute services using the Australian National Subacute and Non-Acute Patient Classification Version 5.0 for the National Efficient Price Determination 2024–25 by March 2024.	The Australian National Subacute and Non-Acute Patient Classification Version 5.0 was used for the pricing of admitted subacute and non-acute care for the National Efficient Price Determination 2024–25.
4. Refine the Australian National Subacute and Non-Acute Patient Classification.	IHACPA continued to investigate refinements to the the Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) including exploration of clinical measures of frailty and tools for capturing functioning for paediatric patients.
5. Refine the Australian Emergency Care Classification Version 1.0.	IHACPA commenced development of a new version (Version 1.1) of the Australian Emergency Care Classification, which is scheduled for release in late 2024.
6. Refine the data request specifications for emergency virtual care.	IHACPA developed the emergency virtual care data request specifications in collaboration with jurisdictions to understand the scope, data collection and reporting of existing virtual care models within and across jurisdictions.
7. Analyse the first year of patient level data for emergency services by June 2024.	IHACPA continued to assess activity data reported by emergency services and readiness to transition from the Urgency Disposition Groups to the Australian Emergency Care Classification.
8. Continue to maintain the Tier 2 Non-Admitted Services Classification.	IHACPA developed a new version of Tier 2 (Version 9.0), which was released in April 2024.

Performance criteria	Results against performance criteria
9. Undertake a multi-stage project to support the development of a new patient level non-admitted care classification.	IHACPA completed stage one of the Australian Non-Admitted Patient Classification Project in August 2023 and has commenced stage 2.
10. Develop a new non-admitted care classification.	IHACPA has engaged jurisdictions to participate in a costing and classification study. This will inform the development of a new non-admitted care classification.
11. Price community mental health care using the Australian Mental Health Care Classification Version 1.0 for the National Efficient Price Determination 2024–25 by March 2024.	On the basis of jurisdictional feedback and to further enable jurisdictional readiness for the transition, the Pricing Authority approved a fourth year of shadow pricing for community mental health care for 2024–25. IHACPA will continue to support jurisdictions in their work to transition community mental health care from block funding to activity based funding.
12. Release the Australian Mental Health Care Classification Version 1.1 by December 2023.	IHACPA released the Australian Mental Health Care Classification Version 1.1 in December 2023.
13. Refine the Australian Mental Health Care Classification.	IHACPA began development of the Australian Mental Health Care Classification Version 2.0 in early 2024.
14. Continue to work with jurisdictions to implement the Australian Teaching and Training Classification.	IHACPA continued to work with jurisdictions to encourage the reporting of teaching and training activity and cost data, to transition from block funding to activity based funding under the Australian Teaching and Training Classification.
15. Manage the international sales of the admitted acute care classification system.	IHACPA continued to effectively administer the international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system.
16. Assess submissions for new health technologies to ensure they are adequately accounted for in the pricing of public hospital services.	IHACPA continued to assess submissions for new health technologies to ensure they are adequately accounted for in the pricing of public hospital services.
17. Recommend refinements to the Australian National Aged Care Classification.	As resident-level data is collected and improved, IHACPA will review and recommend refinements to the Australian National Aged Care Classification as requested by government, in consultation with its advisory committees and working groups and broader sector stakeholders.

Analysis

IHACPA continued its program of work to develop and refine classification systems during 2023–24.

The development of 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) Thirteenth Edition and Australian Refined Diagnosis Related Groups Version 12.0 (AR-DRG V12.0) continued in 2023–24 in accordance with the Governance Framework for the Development of the Admitted Care Classifications and in consultation with IHACPA's advisory committees and working groups. In November 2023, IHACPA released a consultation paper on the Development of ICD-10-AM/ACHI/ACS Thirteenth Edition and AR-DRG V12.0 to seek feedback on proposed major refinements. Consultation feedback is being considered in finalising the classifications ahead of seeking approval from the Pricing Authority in early 2025. ICD-10-AM/ACHI/ACS Thirteenth Edition is planned for release in March 2025 for implementation on 1 July 2025. AR-DRG V12.0 is planned for release in July 2025.

The Australian National Subacute and Non-Acute Patient Classification Version 5.0 (AN-SNAP V5.0) was developed through detailed statistical analysis and consultation with jurisdictions, clinical experts and other subacute and non-acute care stakeholders.

AN-SNAP V5.0 introduced a new variable to recognise frailty as a cost driver for geriatric evaluation and management and non-acute episodes of care. Following 2 years of shadow pricing, AN-SNAP V5.0 was used to price admitted subacute and non-acute services for the National Efficient Price Determination 2024–25 (NEP24).

In 2023, IHACPA commenced development of the Australian Emergency Care Classification Version 1.1 (AECC V1.1), which involved detailed statistical analysis and extensive consultation with key clinical and jurisdictional stakeholders. The key changes for AECC V1.1 include a recalibration of the classification complexity model using most recent activity and cost data. AECC V1.1 is scheduled to be released in late 2024.

The Emergency Virtual Care (EVC) data submission project commenced in July 2023. Its purpose is to understand the scope, data collection and reporting of existing virtual care models within and across jurisdictions. The project is in accordance with the EVC data request specifications on a best endeavours basis.

Analysis

IHACPA used Tier 2 Version 9.0 to price non-admitted services for NEP24. Tier 2 Version 9.0 included 2 new classes to allow for the collection of activity and cost data to inform pricing refinement and enable more accurate capture of the costs associated with service provision:

- 10.22 Subcutaneous immunoglobulin (SCIg) infusion therapy — home delivered
- 40.68 Supervised administration of opioid substitution therapy

IHACPA undertakes an ongoing program of classification refinement to ensure the relevancy of Tier 2 for activity based funding purposes, while a new non-admitted care classification is developed.

In March 2023, IHACPA commenced the Australian Non-Admitted Patient Classification Project (ANAPP). The project aims to explore the feasibility of developing a new non-admitted care classification through the utilisation of the health information available within state and territory electronic medical record (eMR) systems. This approach enables the classification development process to minimise the administrative burden on states and territories and the impact on clinical service delivery associated with a traditional costing study.

The ANAPP stages are as follows:

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

In August 2023, IHACPA completed stage 1, which included a detailed review of the existing evidence base and consultations to better understand jurisdictional eMR and information systems.

IHACPA has commenced stage 2 of the ANAPP, which focuses on developing a proof-of-concept to extract data from state and territory eMR systems. This includes transforming unstructured data into a format that can be utilised for classification development.

IHACPA released the Australian Mental Health Care Classification Version 1.1 (AMHCC V1.1) in December 2023. AMHCC V1.1 is a modest refinement of the classification. The key changes include the recalibration of the complexity model by updating Health of the Nation Outcome Scale (HoNOS) weights and thresholds, and Abbreviated Life Skills Profile thresholds. These changes have been both informed and strongly supported by IHACPA's jurisdictional and clinical stakeholders.

Analysis

During the AMHCC V1.1 refinement process, stakeholders provided feedback on several other areas for further refinement that would require a more substantial change to the classification structure and variables. In response, IHACPA commenced the work program for the development of AMHCC V2.0 in early 2024.

IHACPA shadow priced community mental health care services using AMHCC V1.0 as part of the NEP Determinations for 2021–22, 2022–23, 2023–24 and NEP24. Jurisdictional feedback in the development of NEP24 indicated significant concerns with funding continuity and the lack of funding transition arrangements between state and territory governments and the Australian Government. As such, the Pricing Authority approved a fourth and final year of shadow pricing community mental health care services using AMHCC V1.0 and continued block funding for community mental health under the National Efficient Cost Determination 2024–25 (NEC24).

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

Hospital costing focuses on the cost and mix of resources used to deliver patient or resident care, performing a vital role in allowing IHACPA to develop prices and informs the development of classification systems.

IHACPA oversees the collection of cost information for both hospital services and aged care facilities.

A key output for IHACPA is to coordinate the annual National Hospital Cost Data Collection (NHCDC), which includes the collection, validation, quality assurance, analysis, reporting and benchmarking of hospital cost data. The collection, undertaken in conjunction with the states and territories, focuses on the cost and mix of resources used to deliver patient care.

The NHCDC plays a vital role in activity based funding as one of the primary inputs into the determination of the national efficient price and also informs the development and refinement of activity based funding classification systems.

To ensure the collection is consistent and robust, IHACPA developed the Australian Hospital Patient Costing Standards to provide the states and territories with standardised guidance for hospital patient costing. IHACPA manages the development and refinement of these standards to ensure in-scope costs are allocated to hospital activity and appropriately reflect resource utilisation.

There is currently no mature collection of costs associated with residential aged care or aged care services provided in a person's home. Until such a time as data collections are standardised and timely, IHACPA will undertake costing studies and collections to inform the delivery of aged care pricing advice to government. Data collections through the Residential Aged Care Costing Study will inform the development of the Australian Aged Care Costing Standards.

IHACPA has also undertaken cost and activity data collections from providers of at home care to inform initial benchmarking reports that will develop into in-home aged care pricing advice.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective Three in the IHACPA Work Program and Corporate Plan 20223–24, as part of Section 1.1 of the Portfolio Budget Statements.

Table 8: Summary of performance for Strategic Objective Three in 2023–24

Deliverables		Timeframe	Outcome
1.	Release the Australian Hospital Patient Costing Standards Version 4.2.	May 2023	Delivered
2.	Promote ongoing improvement and consistency in cost data submissions through refinement of the Australian Hospital Patient Costing Standards.	Jun 2024	Delivered
3.	Release the 2021–22 National Hospital Cost Data Collection public sector report.	Mar 2024	Delivered
4.	Release the 2021–22 National Hospital Cost Data Collection private sector report.	Mar 2024	Delivered
5.	Collect the 2022–23 National Hospital Cost Data Collection for public and private hospitals.	Jun 2024	Ongoing
6.	Release the National Hospital Cost Data Collection assurance project 2021–22.	Mar 2024	Ongoing
7.	Phase out the private patient correction factor for all jurisdictions for the National Efficient Price Determination 2024–25.	Mar 2024	Ongoing
8.	Undertake the Residential Aged Care Costing Study.	Dec 2023	Delivered
9.	Develop the Australian Aged Care Costing Standards.	Jun 2024	Ongoing
10.	Continue the investigation of organ donation, retrieval and transplantation costs.	Dec 2023	Ongoing

Performance criteria	Results against performance criteria
1. Release the Australian Hospital Patient Costing Standards Version 4.2 by May 2023.	Following consultation with IHACPA's advisory committees, an updated version of the Australian Hospital Patient Costing Standards, Version 4.2, was published on IHACPA's website in September 2023.
2. Promote ongoing improvement and consistency in cost data submissions through refinement of the Australian Hospital Patient Costing Standards.	IHACPA consulted with its advisory committees to revise the Non-Admitted Patient Care and Contracted Care Costing Guidelines. These were published on IHACPA's website in May 2024.
3. Release the 2021–22 National Hospital Cost Data Collection Public Sector Report by March 2024.	The National Hospital Cost Data Collection (NHCDC) Public Sector Report 2021–22 was published on IHACPA's website in March 2024.
4. Release the 2021–22 National Hospital Cost Data Collection Private Sector Report by March 2024.	The NHCDC Private Sector Report 2021–22 was published on IHACPA's website in March 2024.
5. Collect the 2022–23 National Hospital Cost Data Collection for public and private hospitals by June 2024.	The NHCDC Public Sector 2022–23 preliminary data set was created in June 2024. The collection for the NHCDC private sector 2022–23 commenced in June 2024.
6. Release the National Hospital Cost Data Collection assurance project 2021–22 by March 2024.	The NHCDC Public Sector assurance project 2021–22 was not finalised in 2023–24.
7. Phase out the private patient correction factor for all jurisdictions for the National Efficient Price Determination 2024–25 by March 2024.	Changes are required from 3 state jurisdictions to phase out the private patient correction factor.
8. Undertake the Residential Aged Care Costing Study by December 2023.	The Residential Aged Care Costing Study was finalised in 2023 and the final report was published in January 2024.
9. Develop the Australian Aged Care Costing Standards by June 2024.	IHACPA will continue to evaluate the requirement for aged care costing standards through the Residential Aged Care Cost Collections.
10. Continue the investigation of organ donation, retrieval and transplantation costs by December 2023.	In consultation with its Jurisdictional Advisory Committee and Technical Advisory Committee, IHACPA conducted a preliminary investigation and developed a project plan to support a more detailed investigation in 2024–25.

Analysis

During 2023–24, IHACPA collected the NHCDC 2021–22 and delivered the report for the public sector in March 2024. The release of the NHCDC Public Sector Report 2021–22 concluded the collection and analysis of submitted cost data from 667 unique Australian health service providers.

Through this process, IHACPA ensured the effective collection and reporting of costing information to support activity based funding outcomes. The release of the NHCDC Public Sector Report 2021–22 is supplemented by the release of associated infographics, combining and streamlining content for stakeholders.

Following consultation with IHACPA's advisory committees and jurisdictions, an updated version of the Australian Hospital Patient Costing Standards Version 4.2 (AHPCS V4.2) was published in September 2023. IHACPA also commenced the review and development of the AHPCS V4.2 Costing Guidelines, liaising with jurisdictions to identify priority areas and update the guidelines to ensure it outlines a costing process that appropriately reflects resource utilisation.

IHACPA has commenced the collection of the NHCDC 2022-23 public sector data. This includes publishing a data request specification and receipt of data from all jurisdictions. A draft national data set was prepared in June 2024 to be used for initial national efficient price development.

Following consultation with IHACPA's NHCDC advisory committee, the NHCDC public sector assurance project was undertaken in place of the annual independent financial review. The objectives of the project were to discuss jurisdictions' application of the AHPCS, review their data submissions and determine the future of the independent financial review. IHACPA is currently finalising the assurance project report. At the request of jurisdictions, the scope of the project was clarified to refer to a review of the NHCDC.

IHACPA has commenced collection of the NHCDC 2022–23 from participating private hospital groups. This is anticipated to conclude in August 2024. The data from this collection will be used to prepare the NHCDC Private Sector Report 2022–23.

In 2023–24, IHACPA continued a preliminary investigation into the current activity reporting and costing arrangements for organ donation, retrieval and transplantation and non-admitted pre- and post-organ transplantation care. Based on the findings of this analysis, and in consultation with the Jurisdictional Advisory Committee and Technical Advisory Committee, IHACPA developed a project plan to support a more detailed and in-depth investigation. This is intended to commence in 2024–25.

Analysis

IHACPA will continue to work with jurisdictions to progress this work, to ensure activity and cost data sets appropriately reflect the volume and costs associated with organ donation, retrieval and transplantation.

During 2023–24, IHACPA completed the Residential Aged Care Costing Study. Through engaging with the residential aged care sector and development of the time-based data collection, IHACPA will increase data holdings to inform development of aged care pricing advice. IHACPA has also commenced the Residential Aged Care Cost Collection 2024 to inform future pricing advice.

IHACPA has also completed the Support at Home Costing Study 2023 through engagement and collection of activity data in the in-home aged care sector. IHACPA has commenced a further cost collection of in-home activity and cost data to enable pricing advice to be developed.

5.6 Strategic Objective Four: Determine data requirements and collect data

Timely, accurate and reliable data is vital for IHACPA to undertake functions as detailed in the *National Health Reform Act 2011*, including the development of activity based funding classifications for hospital services and the determination of the national efficient price for those services.

IHACPA has developed a rolling Three Year Data Plan outlining the data requirements, data standards and timelines that will be used to collect data over the coming 3 years. This will be communicated to the Australian Government, states and territories.

IHACPA publishes data compliance reports on a quarterly basis, which indicate jurisdictional compliance with the specifications in the Three Year Data Plan.

In its expanded role to include the provision of aged care pricing and costing advice to the Australian Government, IHACPA requires accurate classification and financial expenditure data regarding aged care facilities. The Three Year Data Plan sets out the classifications and data sets that will be used by IHACPA to prepare aged care pricing and costing advice. IHACPA will continue to work with key stakeholders to develop data request specifications for aged care.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective Four in the IHACPA Work Program and Corporate Plan 2023–24, as part of Section 1.1 of the Portfolio Budget Statements.

Table 9: Summary of performance for Strategic Objective Four in 2023–24

	Deliverables	Timeframe	Outcome
1.	Publish the Three Year Data Plan 2024–25 to 2026–27.	Jun 2024	Delivered
2.	Complete the annual review of activity based funding national best endeavours data sets and national minimum data sets.	Dec 2023	Delivered
3.	Investigate the development of a Posthumous organ procurement national best endeavours data set.	Jun 2024	On hold
4.	Provide support to jurisdictions to improve the coverage and quality of reporting of the Individual Healthcare Identifier in national health data sets.	Ongoing	Ongoing
5.	Investigate incorporating cluster coding into admitted patient care data sets.	Ongoing	Ongoing
6.	Further develop the Secure Data Management System functionality.	Ongoing	Ongoing
7.	Collect jurisdictional submissions for March quarter 2023 activity based funding activity data.	Jun 2023	Delivered
8.	Collect jurisdictional submissions for June quarter 2023 activity based funding activity data.	Sep 2023	Delivered
9.	Collect jurisdictional submissions for September quarter 2023 activity based funding activity data.	Dec 2023	Delivered
10.	Collect jurisdictional submissions for December quarter 2023 activity based funding activity data.	Mar 2024	Delivered
11.	Publish data compliance report for March quarter 2023.	Sep 2023	Delivered
12.	Publish data compliance report for June quarter 2023.	Dec 2023	Delivered
13.	Publish data compliance report for September quarter 2023.	Mar 2024	Delivered
14.	Publish data compliance report for December quarter 2023.	Jun 2024	Ongoing
15.	Continue to promote access to data through the National Benchmarking Portal.	Ongoing	Ongoing

Performance criteria	Results against performance criteria
1. Publish the Three Year Data Plan 2024–25 to 2026–27 by June 2024.	The Three Year Data Plan 2024–25 to 2026–27 was published on 24 June 2024.
2. Complete the annual review of activity based funding national best endeavours data sets and national minimum data sets by December 2023.	IHACPA continues to support the development and refinement of the activity based funding data set specifications annually. The national best endeavours data sets and the national minimum data sets for the 2024–25 reporting period were finalised in December 2023 and published in January 2024.
3. Investigate the development of a Posthumous organ procurement national best endeavours data set by June 2024.	IHACPA investigated the development of a Posthumous organ procurement national best endeavours data set in 2023. Based on consultation with jurisdictions, potential development work has been placed on hold pending the findings of further investigation and gap analysis in relation to organ donation, retrieval and transplantation costs.
4. Provide support to jurisdictions to improve the coverage and quality of reporting of the Individual Healthcare Identifier in national health data sets.	IHACPA continues to monitor quality of reporting of the Individual Healthcare Identifier and to work with jurisdictions to identify areas of improvement and further implementation issues.
5. Investigate incorporating cluster coding into admitted patient care data sets.	IHACPA is progressing the work to implement cluster coding for 1 July 2025 in conjunction with the implementation of ICD-10-AM/ACHI/ACS Thirteenth Edition. IHACPA developed a diagnosis cluster identifier (DCID) data item that was endorsed by the National Health Data and Information Standards Committee in 2023 and continues to develop the accompanying Australian Coding Standard (ACS) to guide its use, in conjunction with the International Classification of Diseases Technical Group. IHACPA also conducted a pilot of the new ACS in March 2024. This, along with an industry briefing to software vendors, which took place in April 2024 prior to seeking its inclusion in the Admitted Patient Care National Minimum Dataset through NHDISC 2025–26, will inform changes to the final ACS.

Performance criteria	Results against performance criteria
6. Further develop the Secure Data Management System functionality.	IHACPA will continue to develop the Secure Data Management System to support its core technical functions, while ensuring the current high standards of data security are followed and maintained.
7. Collect jurisdictional submissions for March quarter 2023 activity based funding activity data by June 2023.	IHACPA collected activity based funding activity data for March quarter 2023 in line with the Three Year Data Plan 2022–23 to 2024–25.
8. Collect jurisdictional submissions for June quarter 2023 activity based funding activity data by September 2023.	IHACPA collected activity based funding activity data for June quarter 2023 in line with the Three Year Data Plan 2022–23 to 2024–25.
9. Collect jurisdictional submissions for September quarter 2023 activity based funding activity data by December 2023.	IHACPA collected activity based funding activity data for September quarter 2023 in line with the Three Year Data Plan 2023–24 to 2025–26.
10. Collect jurisdictional submissions for December quarter 2023 activity based funding activity data by March 2024.	IHACPA collected activity based funding activity data for December quarter 2023 in line with the Three Year Data Plan 2023–24 to 2025–26.
11. Publish data compliance report for March quarter 2023 by September 2023.	Data compliance reports were published for the March quarter 2023 in September 2023.
12. Publish data compliance report for June quarter 2023 by December 2023.	Data compliance reports were published for the June quarter 2023 in December 2023.
13. Publish data compliance report for September quarter 2023 by March 2024.	Data compliance reports were published for the September quarter 2023 in March 2024.
14. Publish data compliance report for December quarter 2023 by June 2024.	Data compliance reports were published for the December quarter 2023 in June 2024.
15. Continue to promote access to data through the National Benchmarking Portal.	The National Benchmarking Portal provides access to activity based funding datasets for the general public, alongside user guides, technical specifications and educational videos. The National Benchmarking Portal is updated annually with the most recently available cost data.

Analysis

Throughout 2023–24, IHACPA continued to work with jurisdictions and national bodies to ensure cost and activity data was received in a timely manner, and adhered to data standards, to support IHACPA in undertaking its core determinative functions.

This was done through the rolling Three Year Data Plan 2024–25 to 2026–27, which was published in June 2024. The Three Year Data Plan specifies the data requirements and timelines that IHACPA will use to collect data over the following 3 years, and the reporting commitments from the Australian Government, state and territory governments.

IHACPA's Three Year Data Plan 2024–25 to 2026–27 also includes information about the aged care data that IHACPA will need to collect to facilitate providing advice to the Australian Government on aged care pricing and costing.

IHACPA collected activity data for all activity streams on a quarterly basis throughout 2023–24. The agency also prepared and published, following ministerial consultation, compliance reports reflecting each jurisdiction's provision of data on a quarterly basis.

IHACPA continues to support jurisdictions to improve the collection of the Individual Healthcare Identifier to provide greater transparency of the patient journey and to support implementation of new funding models. The identifier was implemented on a best endeavours basis into national activity based funding data sets from 1 July 2022.

Following consultation with jurisdictions and stakeholders, IHACPA developed the National Benchmarking Portal and has made it public since July 2022. The portal is updated annually with the most recently available cost data.

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

Under the *National Health Reform Act 2011*, IHACPA has a role to investigate and make recommendations concerning cross-border disputes between states and territories and to assess cost-shifting disputes.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective Five in the IHACPA Work Program and Corporate Plan 2023–24, as part of Section 1.1 of the Portfolio Budget Statements.

Table 10: Summary of performance for Strategic Objective Five in 2023–24

Deliverables	Timeframe	Outcome
Conduct annual review of the Cost-Shifting and Cross-Border Dispute Resolution Policy.	Jun 2024	Not required for 2023–24

Performance criteria	Results against performance criteria
1. Conduct an annual review of the Cost-Shifting and Cross-Border Dispute Resolution Policy by June 2024.	IHACPA developed a revised policy review schedule whereby IHACPA policies are reviewed on a triennial basis. Therefore, IHACPA did not complete a review of the Cost-Shifting and Cross-Border Dispute Resolution Policy in 2023–24.

Analysis

IHACPA investigates cost-shifting and cross-border disputes to ensure they are managed in a timely, equitable and transparent manner.

During 2023–24, IHACPA did not receive any cost-shifting or cross-border disputes.

IHACPA did not review the Cost-Shifting and Cross-Border Dispute Resolution Policy in 2023–24 due to the development of a revised policy review schedule, whereby policies are reviewed on a triennial basis to minimise the burden on the jurisdictions.

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

IHACPA works in partnership with the Australian Government, state and territory governments and other stakeholders. IHACPA conducts its work independently from governments, which allows the agency to deliver impartial, evidence-based decisions. IHACPA is transparent in its decision-making processes and consults extensively across the health and aged care sectors.

Extensive consultation with governments and stakeholders informs the methodology that underpins IHACPA's decisions and work program. IHACPA has a formal consultation framework in place to ensure it draws on an extensive range of expertise in undertaking its functions.

Results

The reporting of key activities in this annual report refers to the deliverables of Strategic Objective Six in the IHACPA Work Program and Corporate Plan 2023–24, as part of Section 1.1 of the Portfolio Budget Statements.

Table 11: Summary of Performance for Strategic Objective Six in 2023–24

Deliverables		Timeframe	Outcome
1.	Provide quarterly activity based funding activity data reports to the Pricing Authority and Jurisdictional Advisory Committee.	Ongoing	Ongoing
2.	Publish evidence-based activity based funding related research and analysis.	Ongoing	Ongoing
3.	Develop a funding methodology for innovative funding models and models of care.	Ongoing	Ongoing
4.	Implement strategies, tools and working papers to ensure IHACPA is providing information that will support its stakeholders.	Ongoing	Ongoing
5.	Deliver the IHACPA Annual Conference 2023.	Aug 2023	Delivered
6.	Develop and promote educational materials and resources.	Delivered	Delivered

Performance criteria	Results against performance criteria
1. Provide quarterly activity based funding activity data reports to the Pricing Authority and Jurisdictional Advisory Committee.	IHACPA provided quarterly activity based funding activity data reports to the Pricing Authority, Jurisdictional Advisory Committee and Technical Advisory Committee. In addition, it developed an annual activity report that examined long term trends in hospital activity.
2. Publish evidence-based activity based funding related research and analysis.	IHACPA continued to develop evidence-based activity based funding related research and analysis in 2023–24. IHACPA recognises that access to high-quality, nationally consistent health data is essential for conducting research and analysis, and to inform the development of policies for improving health outcomes for all Australians. IHACPA's Data Access and Release Policy governs the process regarding release of IHACPA data to researchers. In 2023–24, IHACPA received 14 requests for data, which were processed in accordance with the Data Access and Release Policy. Furthermore, IHACPA staff published a peer-reviewed article titled 'Incorporating Safety and Quality Measures Into Australia's Activity-Based Funding of Public Hospital Services.' Webster SBG, Neville SE, Nobbs J, Ching J, van Gool K. Incorporating Safety and Quality Measures Into Australia's Activity-Based Funding of Public Hospital Services. *Health Services Insights*. 2023;16. doi:10.1177/11786329231187891

Performance criteria	Results against performance criteria
3. Develop a funding methodology for innovative funding models and models of care.	IHACPA continued to engage with jurisdictions on innovative funding methods including block funding to support the trial of 4 innovative models of care through a bilateral agreement between the Commonwealth and NSW under clauses A97-A101 and Schedule C of the Addendum to the National Health Reform Agreement 2020–25. IHACPA also commenced a new program of work to gain a better understanding of virtual care activity, costs, modes of service delivery and models of care in Australia. This aims to support improved integration of virtual care into the national pricing model for public hospital services.
4. Implement strategies, tools and working papers to ensure IHACPA is providing information that will support its stakeholders.	IHACPA continued to prepare committee papers, policy documents and technical specifications to support communication of the work program to stakeholders.
5. Deliver the IHACPA Annual Conference by August 2023.	IHACPA hosted its annual conference from 9 to 11 August 2023. The conference was held as a hybrid event that was attended by 518 delegates from across Australia and around the world. The 3-day scientific program featured over 55 speakers who shared their technical expertise, insights and personal experiences in the health and aged care sectors under the conference theme: 'The Future of Funding'.
6. Develop and promote educational materials and resources.	IHACPA developed a suite of educational materials and resources to support its stakeholders in 2023–24. This included developing 2 educational videos, one seminar, 4 webinars and 6 fact sheets during the reporting period. IHACPA will continue to build on its educational offering to support stakeholders and complement its health and aged care work program.

Analysis

IHACPA continued to provide a transparent account of its decision-making through its committees and working groups, public consultations and the release of detailed policies, outlining the processes IHACPA used to undertake its key functions during 2023–24.

IHACPA publishes public submissions to its completed consultations on its website. In addition, IHACPA releases a consultation report alongside the release of its key strategic policy documents, including the Pricing Framework for Australian Public Hospital Services and the Pricing Framework for Australian Residential Aged Care Services. These frameworks detail feedback received during public consultations and IHACPA's rationale behind its policy decisions and pricing advice.

In 2024, IHACPA commenced a program of work to gain a better understanding of virtual care activity, costs, modes of service delivery and models of care in Australia. It incorporates variations across jurisdictions and international virtual care funding arrangements in similar health systems. The project uses a horizon scan to facilitate developing 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.

One of the requirements under the 2020–25 Addendum to the National Health Reform Agreement was developing a funding methodology that supports states and territories in undertaking trials of innovative models of care.

IHACPA included block funding amounts to facilitate the trial of 4 New South Wales innovative models of care in the Supplementary Block-Funding Advice to the Administrator of the National Health Funding Pool 2023–24. This was based on bilateral agreement between the Commonwealth and New South Wales under clauses A96-A101 of the addendum. IHACPA will continue to work with jurisdictions and stakeholders to investigate options for further developing, trialling and implementing alternate funding models.

In August 2023, IHACPA hosted the IHACPA Conference 2023 under the theme 'The Future of Funding'. Hosted as a hybrid event, with the in-person component of the conference hosted in Brisbane, the conference continues IHACPA's commitment to delivering education on a broad range of topics across the health and aged care sectors.

In addition, during 2023–24, IHACPA continued to provide accessible education to support stakeholders with building on their understanding of IHACPA's work program. This included developing educational videos for residential aged care pricing and hospital costing, hosting a seminar on bundling payments for prostheses, and hosting webinars on aged care costing, residential aged care pricing and acute care classifications.

These informative events aimed to increase stakeholder knowledge of IHACPA's work, enhance transparency and improve stakeholder engagement.

5.9 IHACPA's assessment of RADs and extra service fees

IHACPA assesses applications from approved providers seeking:

- approval to charge a refundable accommodation deposit (RAD) higher than the maximum as determined by the minister
- approval to charge an increase to the extra service fee.

In compliance with section 211D(2)(b) of the *National Health Reform Act 2011*, IHACPA provides the following information in relation to its *Aged Care Act 1997* functions.

Refundable accommodation deposit

Table 12: Refundable accommodation deposit data for financial year 2023–24

Time period	Received	Approved	Withdrawn	Refused	In progress
Financial year 2023–24	770	710	52	4	4

Table 12 outlines the number of accommodation groups assessed within the applications submitted by approved providers. IHACPA received 770 applications and approved 710. An accommodation group is a group of rooms with similar offerings at the same price point. A single submission by a provider will generally have between one and 10 accommodation groups. An accommodation group may have from one to all of the rooms in a service included within it.

During 2023–24, 52 applications were withdrawn. Applications may be withdrawn if insufficient information was received from the approved provider, or for reasons specific to the approved provider. The withdrawn applications may be resubmitted with amendments by the provider at any time.

IHACPA completed all decisions within the legislated 60-day period as outlined within the Fees and Payments Principles 2014 (No. 2). This timeframe does not include any period during which IHACPA formally requested further information to assess the application.

Extra service fees

Table 13: Extra service fee data for financial year 2023–24

Time period	Received	Approved	Withdrawn	Refused
Financial year 2023–24	12	8	2	0

As outlined in Table 13, IHACPA received 12 applications to increase extra service fees and approved 8. There are an additional 8 applications for extra service fees that were received late within the 2023–24 financial year and are still under assessment by IHACPA. Many applications approved in 2023–24 were received in the previous year.

Extra service fees relate to a provider that has been granted extra service status by the Australian Government. They seek to charge a fee for significantly higher standards of accommodation, food, entertainment options and personal services on offer to care recipients.

06

Management and accountability

6.1 Key corporate governance practices

Risk management

IHACPA's enterprise-wide approach to risk management remains at the forefront of all its activities. It administers its risks using tools that address the strategic and tactical risks of all significant decisions. IHACPA's risk management framework, which includes its risk appetite statement and risk register, is reviewed regularly.

Strategic risks are identified with reference to current business and environmental issues facing IHACPA. These risks fall into 3 major risk categories:

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

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. Potential risks are reviewed biannually or more frequently, as required. 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 aware of managed risk outcomes during the decision-making process. IHACPA's privacy threshold assessment tool allows IHACPA to determine whether there is a risk to personal information, and therefore a need to undertake a privacy impact assessment. As with the tactical risk tool, the privacy threshold assessment tool forms part of any decision that may impact privacy.

IHACPA has a mature enterprise risk management framework in place. Risk management is considered a business-as-usual activity for all IHACPA staff.

Additionally, IHACPA continues to maintain a shared Strategic Risk Register with the National Health Funding Body, which has identified joint risks that the agencies manage together. Currently those risks are:

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

Compliance

IHACPA has a broad range of compliance obligations, including key statutory obligations set out in the *National Health Reform Act 2011*, the *Aged Care Act 1997*, the National Health Reform Agreement, 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, public interest disclosure, the Protective Security Policy Framework, website accessibility and records management.

The IHACPA Chief Executive Officer (CEO), as the accountable authority, receives management assurances on IHACPA's compliance obligations through an organised system of controls and special exercises. This includes substantive testing, monthly reports, exception notifications and compliance audits undertaken by an independent internal auditor and reviewed by IHACPA's Audit Risk and Compliance Committee.

Compliance and assurance

IHACPA's internal audit program supported compliance and provided assurance in relation to the agency's key delivery objectives and effectiveness of its control frameworks.

Information and communication technology systems have been independently assessed as meeting relevant standards.

Further, no compliance issues arose from IHACPA's administration of relevant sections of the *National Health Reform Act 2011*.

Financial authorisation

As a corporate Commonwealth agency, IHACPA adheres to the *Public Governance, Performance and Accountability Act 2013*, the Public Governance, Performance and Accountability Rule 2014 and is subject to 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 accountable authority.

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 unauthorised use of IHACPA data and financial resources. The plan encourages ethical behaviour by using business processes designed to prevent deceptive activities. These processes are supported by monitoring controls to detect fraud and corruption and deter offending behaviour. Processes are reviewed regularly.

Inter-agency financial activity

During the 2023–24 financial year, IHACPA received shared services resourcing from the Department of Health and Aged Care (the department). The department charged IHACPA $794,000 to provide these services, covering treasury, processing of financial transactions, information and communication desktop services and parliamentary support.

Ecologically sustainable development and environmental performance

IHACPA does not undertake any substantive work that is covered by section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Australian Public Service Net Zero 2030

As part of the reporting requirements under section 516A of the EPBC Act, and in line with the government's Australian Public Service Net Zero 2030 policy, IHACPA is required to publicly report on the emissions from its operations.

The greenhouse gas emissions inventory presents greenhouse gas emissions over the 2023–2024 period. Results are presented on the basis of carbon dioxide equivalent (CO_2-e) emissions. Greenhouse gas emissions reporting has been developed with methodology that is consistent with the whole of Australian Government approach as part of the Australian Public Service Net Zero 2030 policy.

Table 14: Greenhouse gas emissions inventory – location-based method 2023–2024

Emission source	Scope 1 t CO_2-e	Scope 2 t CO_2-e	Scope 3 t CO_2-e	Total t CO_2-e
Electricity (location-based approach)	N/A	30.503	2.434	32.937
Natural gas	0.000	N/A	0.000	0.000
Solid waste*	N/A	N/A	0.000	0.000
Refrigerants*†	0.000	N/A	N/A	0.000
Fleet and other vehicles	0.000	N/A	0.000	0.000
Domestic commercial flights	N/A	N/A	32.504	32.504
Domestic hire car*	N/A	N/A	0.000	0.000
Domestic travel accommodation*	N/A	N/A	3.602	3.602
Other energy	0.000	N/A	0.000	0.000
Total t CO_2-e	**0.000**	**30.503**	**38.540**	**69.403**

Note: Table 14 presents emissions related to electricity usage using the location-based accounting method. CO_2-e = Carbon Dioxide Equivalent.

*indicates emission sources collected for the first time in 2023–24. The quality of data is expected to improve over time as emissions reporting matures. Waste data was not available at the time of the report and adjustments to baseline data may be required in future reports.
†indicates optional emission source for 2023–24 emissions reporting.

Table 15: Electricity greenhouse gas emissions 2023–2024

Emission source	Scope 2 t CO_2-e	Scope 3 t CO_2-e	Total t CO_2-e	Percentage of electricity use
Electricity (location-based approach)	30.503	2.434	32.937	100.00%
Market-based electricity emissions	29.672	3.663	33.335	81.28%
Total renewable electricity	–	–	–	18.72%
Mandatory renewables[1]	–	–	–	*18.72%*
Voluntary renewables[2]	–	–	–	*0.00%*

Note: Table 15 presents emissions related to electricity usage using both the location-based and the market-based accounting methods. CO_2-e = Carbon Dioxide Equivalent.

1. Mandatory renewables are the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage.
2. Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).

Notes on scopes:

- Scope 1 emissions are emissions from direct consumption of fuels or refrigerants (for example, running a fleet of vehicles). IHACPA had no scope 1 emissions.
- Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider and relate to electricity usage at IHACPA's office space. Electricity transmission and distribution losses are included in scope 3.
- Scope 3 emissions are all indirect emissions not included in scope 2 that occur in the value chain including both upstream and downstream emissions. IHACPA's scope 3 emissions primarily represent domestic flight emissions relating to the IHACPA CEO and Pricing Authority. Domestic flight emissions relating to staff seconded to IHACPA from the Department of Health and Aged Care are included in the department's emissions disclosure.

6.2 Management of human resources

The CEO is IHACPA's only employee and is based in Sydney, New South Wales. All other staff are seconded from the department, IHACPA staff work at the direction of the CEO under a memorandum of understanding with the department.

IHACPA continues to place great value in creating a more productive and inclusive workplace, primarily by attracting and retaining high-calibre, talented and engaged staff. All staff can optimise their work-life balance by using the generous flexible working arrangements offered by IHACPA. This includes effective technological support to make these flexible working arrangements seamless.

IHACPA is committed to the recruitment and retention of a diverse workforce (for example, in gender, age, cultural and linguistic background, disability, indigeneity and LGBTQI+) and actively promotes an inclusive workplace culture.

The 2024 Australian Public Service Employee Census was conducted from 6 May to 7 June 2024. IHACPA employees were invited to participate and provide their views and 73% responded to the survey. The purpose of the census is to understand the views and experience of employees working at IHACPA and the broader Australian Public Service (APS).

Ongoing and non-ongoing employees

The department includes IHACPA's seconded staff in its workforce statistics tables. However, to provide transparency, IHACPA provides the following staffing tables.

Table 16: Ongoing seconded employees 2024

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			
Classification	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
Senior Executive Service	0	1	1	6	0	6	0	0	0	0	0	0	7
Executive Level 2	10	0	10	14	0	14	0	0	0	0	0	0	24
Executive Level 1	15	0	15	38	4	42	0	0	0	0	0	0	57
APS Level 6	7	0	7	12	1	13	0	0	0	0	0	0	20
APS Level 5	1	0	1	2	0	2	0	0	0	0	0	0	3
Total	**33**	**1**	**34**	**72**	**5**	**77**	**0**	**0**	**0**	**0**	**0**	**0**	**111**

Table 17: Ongoing seconded employees 2023

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			
Classification	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
Senior Executive Service	0	1	1	3	0	3	0	0	0	0	0	0	4
Executive Level 2	9	0	9	11	0	11	0	0	0	0	0	0	20
Executive Level 1	11	0	11	27	1	28	0	0	0	0	0	0	39
APS Level 6	7	0	7	10	2	12	0	0	0	0	0	0	19
APS Level 5	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**27**	**1**	**28**	**51**	**3**	**54**	**0**	**0**	**0**	**0**	**0**	**0**	**82**

Table 18: Non-ongoing seconded employees 2024

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			
Classification	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
Senior Executive Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Level 2	0	0	0	1	0	1	0	0	0	0	0	0	1
Executive Level 1	1	0	1	3	0	3	0	0	0	0	0	0	4
APS Level 6	0	0	0	2	0	2	0	0	0	0	0	0	2
APS Level 5	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**1**	**0**	**1**	**6**	**0**	**6**	**0**	**0**	**0**	**0**	**0**	**0**	**7**

Table 19: Non-ongoing seconded employees 2023

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			
Classification	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total	Total
Senior Executive Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Level 2	0	0	0	1	0	1	0	0	0	0	0	0	1
Executive Level 1	0	0	0	6	1	7	0	0	0	0	0	0	7
APS Level 6	0	0	0	3	0	3	0	0	0	0	0	0	3
APS Level 5	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**10**	**1**	**11**	**0**	**0**	**0**	**0**	**0**	**0**	**11**

Key management personnel

Table 20: Information about remuneration for key management personnel

		Short term benefits			Post-employment	Other long-term benefits			
Name	Position title	Base salary $	Bonuses $	Other benefits and allowances $	Superannuation contributions $	Long service leave $	Other long-term benefits $	Termination benefits $	Total remuneration $
Mr Glenn Appleyard	Pricing Authority member	41,988	-	-	6,466	-	-	-	48,454
Dr Adam Coltzau	Pricing Authority member	41,988	-	-	4,619	-	-	-	46,607
Dr Stephen Judd AM	Pricing Authority member: Deputy Chair (Aged Care Pricing)	54,469	-	-	5,992	-	-	-	60,461
Ms Prudence Ford	Pricing Authority member	41,988	-	-	4,619	-	-	-	46,607
Distinguished Prof Jane Hall AO	Pricing Authority member	41,988	-	-	4,619	-	-	-	46,607
Prof Michael Pervan	Chief Executive Officer	539,923	-	-	27,344	9,655	-	-	576,922
Ms Jenny Richter AM	Pricing Authority member	41,988	-	-	4,619	-	-	-	46,607
Mr David Tune AO PSM	Pricing Authority member: Chair	95,856	-	-	10,544	-	-	-	106,400
Ms Jennifer Williams AM	Pricing Authority member: Deputy Chair (Hospital Pricing)	54,469	-	-	5,992	-	-	-	60,461
Total		**954,657**	**-**	**-**	**74,814**	**9,655**	**-**	**-**	**1,039,126**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. IHACPA has determined IHACPA's key management personnel to be the CEO and each member of the Pricing Authority. The disaggregated key management personnel remuneration information in Table 20 complies with the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

Staff development

IHACPA cultivates, values and supports staff by developing their skills and capabilities to meet their work requirements, as well as to achieve their full potential. IHACPA also promotes a culture where people work within and across teams to broaden their expertise.

Training was provided on a programmed basis to management and a needs basis to individual staff. Additionally, mid-level and senior management staff undertook a program of leadership capability training. A number of staff also undertook training in technical presentation skills. IHACPA supported individuals to attend conferences and training events that assisted staff to acquire and develop skills used in their work. In 2023–24, IHACPA's training investment averaged $2,200 per staff member.

Education and review processes

During the reporting period, the CEO enhanced his skills through attendance at international and domestic activity based funding events and received regular performance feedback from the Pricing Authority at each Pricing Authority meeting.

The CEO undertook 360-degree feedback with the Pricing Authority and internal and external IHACPA stakeholders. This feedback was conducted by Bendelta.

The CEO was invited to attend the inaugural Commonwealth Leadership Health Summit convened at St George's College within Windsor Castle from 12 to 15 June 2024. The meeting concluded with the announcement of the establishment of the Commonwealth Leadership Institute and Commonwealth Leadership Fellowships.

Work health and safety

In 2023–24, IHACPA's Work Health and Safety Committee continued to manage work health and safety matters in accordance with the *Work Health and Safety Act 2011*.

The committee met 4 times during the year and dealt with a range of work health and safety matters. Quarterly workplace inspections were conducted by health and safety representatives.

In 2023–24, IHACPA employees had access to:

- Respect at Work information session
- COVID-19 and flu vaccination program
- rest break software
- flexible working options to balance their professional and personal commitments
- an Employee Assistance Program including wellbeing webinars
- workplace assessments and ergonomic equipment, such as sit-to-stand desks.

In 2023–24, no notifiable work health and safety incidents were identified.

IHACPA has only one employee, the CEO of IHACPA. No injuries by IHACPA employees were reported during the reporting period. Reporting on employees of the department seconded to IHACPA under a memorandum of understanding will be reported on in the department's annual report.

There were no investigations conducted during the year relating to businesses or undertakings conducted by the entity.

Advertising and market research

In 2023–24, IHACPA commissioned no advertising that must be reported under section 311A of the *Commonwealth Electoral Act 1918*.

07

Financial management

7.1 Financial statements

Independent auditor's report

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Health and Aged Care

Opinion

In my opinion, the financial statements of the Independent Health and Aged Care Pricing Authority (the Entity) for the year ended 30 June 2024:

(a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2024 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2024 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements comprising material accounting policy information and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and their delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Sally Bond

Executive Director

Delegate of the Auditor-General

Canberra

1 October 2024

Statement by the Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2024 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Independent Health and Aged Care Pricing Authority will be able to pay its debts as and when they fall due.

Professor Michael Pervan

Chief Executive Officer
27 September 2024

Chris Miljak

Chief Financial Officer
27 September 2024

Primary financial statements

Statement of comprehensive income

for the period ended 30 June 2024

	Notes	2024 $'000	2023 $'000	Original Budget $'000
NET COST OF SERVICES				
EXPENSES				
Employee benefits	1.1A	**17,048**	12,229	17,086
Suppliers	1.1B	**26,602**	22,928	42,443
Depreciation and amortisation	2.2A	**1,935**	1,579	1,715
Finance costs	1.1C	**163**	175	164
Total expenses		**45,748**	36,911	61,408
OWN-SOURCE INCOME				
Own-source revenue				
Revenue from contracts with customers	1.2A	**995**	1,660	800
Resources received free of charge	1.2B	**17,348**	12,311	16,925
Interest		**1,583**	657	450
Total own-source revenue		**19,926**	14,628	18,175
Total gains		**-**	-	-
Total own-source income		**19,926**	14,628	18,175
Net cost of services		**25,822**	22,283	43,233
Revenue from Government	1.2C	**42,869**	36,516	42,869
Surplus / (Deficit)		**17,047**	14,233	(364)
Total comprehensive surplus / (deficit)		**17,047**	14,233	(364)

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Statement of comprehensive income

Total expenses of $45.748m were $15.660m less than budget primarily due to lower supplier expenses of $15.841m.

Supplier expenses were lower than planned, primarily due to procurement delays for the in-home support aged care program.

Employee benefits expenses were in-line with budget representing the expanded IHACPA functions to advise the Australian Government on pricing and costing of aged care.

Total own source income of $19.926m was $1.751m greater than budget primarily due to higher interest as a result of holding larger cash holdings than budgeted.

Statement of financial position

as at 30 June 2024

	Notes	2024 $'000	2023 $'000	Original Budget $'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	**46,356**	30,742	15,566
Trade and other receivables	2.1B	**1,048**	1,066	529
Total financial assets		**47,404**	31,808	16,095
Non-financial assets				
Buildings (right-of-use assets)	2.2A	**9,815**	11,095	9,858
Leasehold improvement	2.2A	**2,100**	2,175	1,819
Computer software	2.2A	**2,292**	1,380	682
Other - prepayments		**220**	405	308
Total non-financial assets		**14,427**	15,055	12,667
Total assets		**61,831**	46,863	28,762
LIABILITIES				
Payables				
Suppliers	2.3A	**3,292**	4,534	2,131
Other payables	2.3B	**15**	17	235
Total payables		**3,307**	4,551	2,366
Interest bearing liabilities				
Lease liabilities	2.4A	**10,803**	11,698	10,804
Total interest bearing liabilities		**10,803**	11,698	10,804
Provisions				
Employee provisions	3.1A	**81**	21	20
Total provisions		**81**	21	20
Total liabilities		**14,191**	16,270	13,190
Net assets		**47,640**	30,593	15,572
EQUITY				
Contributed equity		**400**	400	400
Retained surplus		**47,240**	30,193	15,172
Total equity		**47,640**	30,593	15,572

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Statement of financial position

Total assets of $61.831m were $33.069m higher than budget primarily due to the increase in cash holdings from retained surpluses.

Total liabilities of $14.191m were $1.001m higher than budget primarily due to higher supplier payables.

Total equity of $47.640m was $32.068m higher than the budget primarily due to retained surpluses.

Statement of changes in equity

for the period ended 30 June 2024

	Notes	2024 $'000	2023 $'000	Original Budget $'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		**400**	400	400
Closing balance as at 30 June		**400**	400	400
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		**30,193**	15,960	15,536
Comprehensive income				
Surplus / (deficit) for the period		**17,047**	14,233	(364)
Closing balance as at 30 June		**47,240**	30,193	15,172
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		**30,593**	16,360	15,936
Equity movements during the period				
Surplus / (deficit) for the period		**17,047**	14,233	(364)
Closing balance as at 30 June		**47,640**	30,593	15,572

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Statement of changes in equity

Total equity of $47.640m was $32.068m higher than the budget amount primarily due to retained surpluses.

Cash flow statement

for the period ended 30 June 2023

	Notes	2024 $'000	2023 $'000	Original Budget $'000
OPERATING ACTIVITIES				
Cash received				
Receipts from government		**42,869**	36,516	42,869
Sale of goods and rendering of services		**1,120**	1,802	879
Interest		**1,522**	554	450
Net GST received		**2,688**	1,690	3,187
Total cash received		**48,199**	40,562	47,385
Cash used				
Employees		**(983)**	(1,136)	(884)
Suppliers		**(28,072)**	(23,340)	(45,022)
Interest payments on lease liabilities		**(163)**	(175)	(164)
Total cash used		**(29,218)**	(24,651)	(46,070)
Net cash from operating activities		**18,981**	15,911	1,315
INVESTING ACTIVITIES				
Cash used				
Purchase of computer software		**(2,291)**	(386)	
Purchase of leasehold improvements		**(181)**	(27)	-
Total cash used		**(2,472)**	(413)	-
Net cash used by investing activities		**(2,472)**	(413)	-
FINANCING ACTIVITIES				
Cash used				
Principal payments of lease liabilities		**(895)**	(835)	(894)
Total cash used		**(895)**	(835)	(894)
Net cash used by financing activities		**(895)**	(835)	(894)
Net increase in cash held		**15,614**	14,663	421
Cash and cash equivalents at the beginning of the reporting period		**30,742**	16,079	15,145
Cash and cash equivalents at the end of the reporting period	2.1A	**46,356**	30,742	15,566

The above statement should be read in conjunction with the accompanying notes.

Budget variances commentary

Statement of changes in cash flow

The closing cash balance of $46.356m was $30.790m higher than the budget primarily due to retained surpluses noting that the budget is derived on a break-even assumption.

Overview

Objectives of the Independent Health and Aged Care Pricing Authority

The Independent Health and Aged Care Pricing Authority (IHACPA) is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) with its principal place of business located at Level 12, 1 Oxford Street, Sydney NSW.

IHACPA's role and functions are set out in the *National Health Reform Act 2011*, the *Aged Care Act 1997* and the *Aged Care Quality and Safety Commission Act 2018*. IHACPA's role and functions include the:

- determination of the national efficient price and national efficient cost for public hospital services
- development of national classifications for activity based funding
- resolution of disputes on cost-shifting and cross-border issues
- provision of advice on healthcare pricing and costing matters
- provision of advice on aged care pricing and costing matters
- performance of certain functions conferred by the *Aged Care Act 1997*.

The continued existence of the entity in its present form, and with its present programs, is dependent on government policy and on continuing funding by parliament for the entity's administration and programs.

The basis of preparation

The financial statements are general purpose financial statements and are required by section 42 of the PGPA Act.

The financial statements have been prepared in accordance with the:

a. Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)
b. Australian Accounting Standards and Interpretations — including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars, unless otherwise specified.

Significant changes affecting IHACPA during 2023–24

No significant changes affecting IHACPA functions have occurred in this reporting period.

New accounting standards

IHACPA has adopted all new, revised and amending standards and interpretations that were issued by the Australian Accounting Standards Board (AASB) prior to the sign-off date and are applicable to the current reporting period. The adoption of these standards and interpretations did not have a material effect, and are not expected to have a future material effect on IHACPA's financial statements.

No accounting standard has been adopted earlier than the application date as stated in the standard.

Significant accounting judgements and estimates

Except where specifically identified and disclosed, IHACPA has determined that no accounting assumptions and estimates have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

Taxation

IHACPA is exempt from all forms of taxation, except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events after the reporting period

No events have occurred since the reporting date which have had a material impact on the financial statements.

Notes to the financial statements

Financial performance

This section analyses the financial performance of IHACPA for the year ended 30 June 2024.

Note 1.1 Expenses

	2024 $'000	2023 $'000
Note 1.1A: Employee Benefits		
Wages and salaries	**655**	529
Superannuation — Defined contribution plans	**78**	87
Leave and other entitlements	**307**	323
Wages and salaries for staff provided by Department of Health and Aged Care	**16,008**	11,290
Total employee benefits	**17,048**	12,229

Accounting policy

Employee benefits

Accounting policies for employee benefits is contained in the People and relationships section.

	2024 $'000	2023 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants	**13,367**	8,984
Contractors	**5,017**	6,198
IT services	**5,107**	5,881
Travel	**479**	231
Training	**227**	122
Publishing materials	**441**	263
Legal and audit expenses	**438**	157
Conferences and seminars	**904**	534
Other	**620**	556
Total goods and services supplied or rendered	**26,600**	22,926
Goods supplied	**489**	316
Services rendered	**26,111**	22,610
Total goods and services supplied or rendered	**26,600**	22,926
Other suppliers		
Workers' compensation expenses	**2**	2
Total other suppliers	**2**	2
Total suppliers	**26,602**	22,928
Note 1.1C: Finance Costs:		
Interest on lease liabilities (office space lease)	**163**	175
Total finance costs	**163**	175

The above lease disclosures should be read in conjunction with the accompanying notes 2.2A and 2.4A.

Note 1.2 Own-source revenue and gains

	2024 $'000	2023 $'000
Own-Source Revenue		
Note 1.2A: Revenue from contracts with customers		
Sale of goods	**723**	1,660
Rendering of services	**272**	-
Total revenue from contracts with customers	**995**	1,660

Sales of goods are from sales of intellectual property relating to the Australian Refined Diagnosis Related Groups (AR-DRG) classification systems. Rendering of services represent conference revenue.

Accounting policy

Revenue from contracts with customers

Revenue from the sale of goods and rendering of services is recognised when control has been transferred to the buyer.

In relation to AASB 15, IHACPA has considered each revenue stream to identify the existence of an enforceable contract that requires the completion of sufficiently specific performance obligations in exchange for relevant consideration. Revenue is recognised either over time or at a point in time as performance obligations are completed and IHACPA has an enforceable right to payment for the performance completed to date.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer considered probable.

	2024 $'000	2023 $'000
Note 1.2B: Resources received free of charge		
Departmental contribution received free of charge	**17,283**	12,246
Resources received free of charge — Remuneration of auditors	**65**	65
Total other revenue	**17,348**	12,311

Accounting policy

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as revenue.

	2024 $'000	2023 $'000
Note 1.2C: Revenue from Government		
Amounts from Department of Health and Aged Care	**42,869**	36,516
Total revenue from Government	**42,869**	36,516

Accounting policy

Revenue from government

Funding received or receivable from non-corporate Commonwealth entities is recognised as Revenue from Government by IHACPA unless the funding is in the nature of an equity injection or a loan.

Financial position

This section analyses the IHACPA's assets used to conduct its operations and the operating liabilities incurred as a result. Employee-related information is disclosed in the People and relationships section.

Note 2.1 Financial Assets

	2024 $'000	2023 $'000
Note 2.1A: Cash and cash equivalents		
Cash on deposit	**46,356**	30,742
Total cash and cash equivalents	**46,356**	30,742

Accounting policy

Cash and cash equivalents

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a. cash on hand, and

b. demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

	2024 $'000	2023 $'000
Note 2.1B: Trade and other receivables		
Other receivables		
GST receivable from the Australian Taxation Office	**863**	859
Other amounts receivable	**185**	207
Total other receivables	**1,048**	1,066
Total trade and other receivables (gross)	**1,048**	1,066
Less expected credit loss allowance	**-**	-
Total trade and other receivables (net)	**1,048**	1,066

No amounts receivable are overdue.

Accounting policy

Trade and other receivables

IHACPA's financial assets are comprised of trade receivables and other receivables that are held for the purpose of collecting the contractual cash flows. All of IHACPA's financial assets are measured, and carried, at amortised cost.

Impairment

All assets were assessed for impairment as at 30 June 2024. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

Note 2.2 Non-Financial Assets

Note 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment, and Intangibles

	Buildings $'000	Leasehold improvement $'000	Computer software $'000	Total $'000
As at 1 July 2023				
Gross book value	12,802	2,508	2,144	17,454
Accumulated depreciation, amortisation and impairment	(1,707)	(333)	(764)	(2,804)
Total as at 1 July 2023	11,095	2,175	1,380	14,650
Additions				
Purchase or internally developed (including work in progress)	-	181	1,312	1,493
Depreciation and amortisation	-	(255)	(400)	(655)
Depreciation on right-of-use assets	(1,280)	-	-	(1,280)
Disposals				
Non-cash consideration	-	-	(777)	(777)
Writeback of accumulated depreciation and amortisation	-	-	777	777
Total as at 30 June 2024	9,815	2,100	2,292	14,207
Total as at 30 June 2024 represented by				
Gross book value	12,802	2,688	2,679	18,169
Accumulated depreciation, amortisation and impairment	(2,987)	(588)	(387)	(3,962)
Total as at 30 June 2024 represented by	9,815	2,100	2,292	14,207
Carrying amount of right-of-use assets	9,815	-	-	9,815

No indicators of impairment were found for property, plant and equipment or intangibles.

Summary of asset transactions:

During the period, $0.181m of additional office fit-out costs and $1.312m for internally developed software were incurred.

Accounting policy

Property, plant and equipment, and intangibles

Assets are recorded at cost on acquisition except as stated below. The cost on acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $10,000 (2023: $5,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Lease right-of-use (ROU) assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned. Lease ROU assets continue to be measured at cost after initial recognition.

Revaluations

Following initial recognition at cost, property, plant and equipment (excluding ROU assets) are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2024	2023
Leasehold improvements	Lease terms	Lease terms
Plant and equipment	3 to 6 years	3 to 6 years

Impairment

All assets were assessed for impairment at 30 June 2024. Where indications of impairment exist, the assets recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The entity's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the entity's software are 1 to 6 years (2023: 1 to 6 years). All software assets were assessed for indications of impairment as at 30 June 2024.

Note 2.3 Payables

	2024 $'000	2023 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**3,292**	4,463
Contract liabilities from contracts with customers	**-**	71
Total suppliers	**3,292**	4,534

Trade creditors settlement terms are 30 days.

The contract liabilities from contracts with customers are associated with prepaid conference revenue.

Note 2.3B: Other Payables		
Salaries and wages	**15**	17
Total other payables	**15**	17

Note 2.4 Interest bearing liabilities

	2024 $'000	2023 $'000
Note 2.4A: Lease liabilities		
Lease liability (office space)	**10,803**	11,698
Total lease liabilities	**10,803**	11,698

Total cash outflow for leases for the year ended 30 June 2024 was $1.058m (2023: $1.009m).

Maturity analysis — contractual undiscounted cash flows		
Within 1 year	**1,108**	1,058
Between 1 to 5 years	**5,710**	5,175
More than 5 years	**4,662**	6,304
Total undiscounted leases	**11,480**	12,537

The lease for IHACPA's office space at Level 12, 1 Oxford Street Sydney commenced on 1 March 2022 for a term of 5 years (with a 5 year extension option).

People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

Note 3.1 Employee provisions

	2024 $'000	2023 $'000
Note 3.1A: Employee provisions		
Leave	**81**	21
Total employee provisions	**81**	21

Accounting policy

Employee provisions

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period, minus the fair value at the end of the reporting period of plan assets (if any), out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The estimate of the present value of the liability takes into account attrition rates, and pay increases through promotion and inflation.

Superannuation

The entity's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The entity makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Australian Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Note 3.2 Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Pricing Authority member. The entity has determined the key management personnel to be the Chief Executive Officer and the Pricing Authority members.

Key management personnel remuneration is reported in the table below:

	2024 $'000	2023 $'000
Short-term employee benefits	**955**	826
Post-employment benefits	**75**	83
Other long-term benefits	**9**	7
Termination benefits	**-**	-
Total key management personnel remuneration expenses	**1,039**	916

The total number of key management personnel that are included in the above table is 9 (2023: 11).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Ministers whose remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

Note 3.3 Related party disclosures

Related party relationships

IHACPA is an Australian Government controlled entity. Related parties to this entity are the key management personnel (as per Note 3.2) and other Australian Government entities.

Transactions with related parties

Given the breadth of government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by IHACPA, it has been determined that there are no related party transactions to be separately disclosed.

Managing uncertainties

This section analyses how IHACPA manages financial risks within its operating environment.

Note 4.1 Contingent assets and liabilities

Quantifiable contingencies

There were no quantifiable contingent assets or liabilities in this reporting period (2023: nil).

Unquantifiable contingencies

There were no unquantifiable contingent assets or liabilities in this reporting period (2023: nil).

Significant remote contingencies

There were no significant remote contingent assets or liabilities in this reporting period (2023: nil).

Accounting policy

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

Note 4.2 Financial instruments

	2024 $'000	2023 $'000
Note 4.2A: Financial instruments (assets)		
Financial assets at amortised cost		
Cash and cash equivalents	**46,356**	30,742
Trade and other receivables	**185**	207
Total financial assets at amortised cost	**46,541**	30,949
Note 4.2B: Financial instruments (liabilities)		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**3,292**	4,463
Contract liabilities from contracts with customers	**-**	71
Total financial liabilities measured at amortised cost	**3,292**	4,534

Accounting policy

Cash and cash equivalents

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a. cash on hand, and

b. demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Classification and measurement

The classification and measurement of IHACPA's financial assets under AASB 9 is determined by its business model for managing its financial assets and the contractual cash flow characteristics of those assets.

Financial assets

IHACPA's financial assets are comprised of trade receivables and other receivables that are held for the purpose of collecting the contractual cash flows. All of IHACPA's financial assets are measured, and carried, at amortised cost.

Financial liabilities

IHACPA's financial liabilities are measured, and carried, at amortised cost. Supplier and other payables are recognised to the extent that the goods or services have been received, irrespective of having been invoiced. Lease liabilities are measured using the effective interest method.

Impairment

AASB 9 requires IHACPA to impair its financial assets by applying the 'expected credit losses' (ECL) model. IHACPA has taken advantage of the practical expedient which allows the use of a Provision Matrix to calculate expected credit losses on trade receivables. IHACPA has assessed the loss allowance for its financial assets at an amount equal to lifetime expected credit losses.

Due to the nature of IHACPA's receivables, a nil loss allowance has been calculated. There is no impairment of IHACPA's financial assets as at 30 June 2024.

Note 4.3 Fair value measurement

Accounting policy

As allowed for by AASB 13 Fair Value Measurement, quantitative information on significant unobservable inputs used in determining fair value is not disclosed.

Assets held at fair value include leasehold improvements and property, plant and equipment. Assets not held at fair value include computer software and Right-of-Use (ROU) assets.

IHACPA tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every 3 years). An independent revaluation was undertaken by Jones Lang LaSalle Public Sector Valuations Pty Ltd in June 2022 consistent with the valuation methodologies described below with no revaluation adjustments required. If a particular asset class experiences significant and volatile changes in fair value (that is, where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

The categories of fair value measurement are:

a. Level 1: quoted prices (unadjusted) in active markets for identical assets that the entity can access at measurement date.

b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

c. Level 3: unobservable inputs.

IHACPA's assets are held at fair value and are measured at category Levels 2 or 3 with no fair values measured at category Level 1.

Leasehold improvements are measured at category Level 3 and the valuation methodology used is Depreciated Replacement Cost (DRC). Under DRC the estimated cost to replace the asset is calculated, with reference to new replacement price per square metre, and then adjusted to take into account its consumed economic benefit (accumulated depreciation). The consumed economic benefit has been determined based on the professional judgement with regard to physical, economic and external obsolescence factors.

Property, plant and equipment is measured at either category Level 2 or 3. The valuation methodology is either market approach or DRC, based on replacement cost for a new equivalent asset. The significant unobservable inputs used in the fair value measurement of property, plant and equipment assets are the market demand and professional judgement.

Other information

Note 5.1 Current/non-current distinction for assets and liabilities

	2024 $'000	2023 $'000
Note 5.1A Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**46,356**	30,742
Trade and other receivables	**1,048**	1,066
Prepayments	**220**	405
Total no more than 12 months	**47,624**	32,213
More than 12 months		
Buildings	**9,815**	11,095
Leasehold improvements	**2,100**	2,175
Computer software	**2,292**	1,380
Total more than 12 months	**14,207**	14,650
Total assets	**61,831**	46,863
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	**3,292**	4,534
Leases	**958**	895
Other payables	**15**	17
Employee provisions	**68**	18
Total no more than 12 months	**4,333**	5,464
More than 12 months		
Leases	**9,845**	10,803
Employee provisions	**13**	3
Total more than 12 months	**9,858**	10,806
Total liabilities	**14,191**	16,270

08

Appendices

Appendix A – Figures and tables

Appendix B – Acronyms and abbreviations

ABF – Activity based funding

ACCPA – Aged & Community Care Providers Association

AN-ACC – Australian National Aged Care Classification

ANAO – Australian National Audit Office

AR-DRG – Australian Refined Diagnosis Related Groups

COAG[1] – Council of Australian Governments

DSS – Department of Social Services

HIMAA – Health Information Management Association of Australia

IFHIMA – International Federation of Health Information Management

IHACPA – Independent Health and Aged Care Pricing Authority

IHPA – Independent Hospital Pricing Authority

NDIA – National Disability Insurance Agency

NDIS – National Disability Insurance Scheme

NEC – National efficient cost

NEP – National efficient price

NHRA – National Health Reform Agreement

NHCDC – National Hospital Cost Data Collection

NWAU – National weighted activity unit

PGPA – *Public Governance, Performance and Accountability Act 2013*

RAD – Refundable accommodation deposit

1 IHACPA notes that the Council of Australian Governments has been dissolved and the Health Ministers' Meetings has been established to consider matters previously brought to the Council of Australian Governments Health Council.

Appendix C – Glossary

Activity based funding

A system for funding public hospital services based on the actual number of services provided to patients and the efficient cost of delivering those services. Activity based funding uses national classifications, cost weights and the national efficient price to determine the amount of funding for each activity or service.

Aged Care Act 1997

On 12 August 2022, the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* and the *Aged Care Legislation Amendment (Independent Health and Aged Care Pricing Authority) Instrument 2022* amended the *National Health Reform Act 2011* and the *Aged Care Act 1997* and in so doing expanded IHACPA's remit. The changes also transferred the functions of the former Office of the Aged Care Pricing Commissioner to IHACPA.

Australian Refined Diagnosis Related Groups

Australian Refined Diagnosis Related Groups are an Australian admitted patient classification system. They provide a clinically meaningful way of relating a hospital's case mix to the resources required by the hospital. Each Australian Refined Diagnosis Related Group represents a class of patients with similar clinical conditions requiring similar hospital services. The classification categorises acute admitted patient episodes of care into groups with similar conditions and similar usage of hospital resources. It uses information in the hospital morbidity record, such as the diagnoses, procedures and demographic characteristics of the patient.

Avoidable hospital readmission

An avoidable hospital readmission occurs when a patient who has been discharged from hospital (index admission) is admitted again within a certain time interval. The readmission:

- is clinically related to the index admission
- has the potential to be avoided through improved clinical management or appropriate discharge planning in the index admission.

The Australian Commission on Safety and Quality in Health Care is tasked with developing and maintaining a list of clinical conditions considered to be avoidable hospital readmissions.

Backcasting

The process by which the effect of significant changes to the activity based funding classification systems or costing methodologies are reflected in the pricing model the year prior to implementation. It is used to calculate Commonwealth Government funding for each activity based funding service category.

Block funding

A system of funding public hospital functions and services as a fixed amount based on population and previous funding.

Corporate plan

The primary strategic planning document of a Commonwealth Government entity. It sets out the objectives, capabilities and intended results over a 4-year period, in accordance with the entity's stated purposes. The corporate plan should provide a clear line of sight with the relevant annual performance statement, portfolio budget statement and annual report.

Council of Australian Governments

The Council of Australian Governments (COAG) was the peak intergovernmental forum in Australia.

The members included the prime minister, state and territory premiers and chief ministers, and the president of the Australian Local Government Association. The role of COAG was to promote policy reforms that were of national significance, or which needed coordinated action by all Australian governments.

COAG was dissolved as of 29 May 2020. The Health Ministers' Meeting has been established to consider matters previously brought to the COAG Health Council.

Health Ministers' Meeting

Following the dissolution of COAG and its supporting mechanisms, the Health Minister's Meeting is now responsible for promoting policy reforms that are of national significance, or which need coordinated action by all Australian governments.

Hospital acquired complication

A complication that occurs during a hospital stay, such as falls, infections or pressure injuries. Clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The Australian Commission on Safety and Quality in Health Care maintains the list of hospital acquired complications.

National efficient cost

IHACPA determines a national efficient cost for services that are not suitable for activity based funding, such as small rural hospitals. The national efficient cost determines the Australian Government contribution to block funded hospitals.

National efficient price

A base price calculated by IHACPA as a benchmark to guide governments about the level of funding that would meet the average cost of providing acute care (admitted, emergency and outpatient) services in public hospitals across Australia. The national efficient price is based on the projected average cost of a national weighted activity unit after the deduction of specified Commonwealth Government-funded programs.

National Health Reform Act 2011

IHACPA was established under the *National Health Reform Act 2011*. The *National Health Reform Act 2011* gave effect to the National Health Reform Agreement signed by the Australian Government and all states and territories in August 2011.

National Health Reform Agreement

The National Health Reform Agreement outlines the funding, governance and performance arrangements for the delivery of public hospital services in Australia.

The agreement was entered into by the Australian Government and all states and territories in August 2011.

On 29 May 2020, all Australian governments signed a new addendum. It amended the National Health Reform Agreement for the period from 1 July 2020 to 30 June 2025.

National weighted activity unit

A national weighted activity unit (NWAU) is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. It provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for its clinical complexity.

The average hospital service is worth one NWAU. The most intensive and expensive activities are worth multiple NWAUs. The simplest and least expensive are worth fractions of an NWAU.

Protective Security Policy Framework

The Protective Security Policy Framework provides policy, guidance and better practice advice for governance, personnel, physical and information security. The 36 mandatory requirements assist agency heads to identify their responsibilities to manage security risks to their people, information and assets.

Public Governance, Performance and Accountability Act 2013

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act applies to all Commonwealth Government entities and companies.

Sentinel event

A sentinel event is a subset of adverse events that result in death or serious harm to the patient, such as surgical procedures involving the wrong body part or medication errors leading to death.

Shadow pricing

Shadow pricing is the indicative or likely cost of services.

Clause A40 of the National Health Reform Agreement requires IHACPA to consider transitional arrangements when developing new activity based funding classification systems or costing methodologies.

This includes shadowing the pricing of new classifications, costing methodologies or adjustments, when appropriate. Shadow pricing enables states and territories to understand and assess the impact of a new approach on the level and distribution of funding to local hospital networks.

Work program

Each year, IHACPA consults on and publishes a work program for the year ahead. As prescribed in section 225 of the *National Health Reform Act 2011*, the objectives of the IHACPA work program set out IHACPA's program of work for the coming year and invite interested persons (including states and territories) to make submissions to the Pricing Authority about the work program up to 30 days after publication. IHACPA work programs are available at ihacpa.gov.au/publications.

Appendix D – Compliance index

The Independent Health and Aged Care Pricing Authority, as a corporate Commonwealth entity, has prepared this annual report under section 17BE(u) of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), and section 46 of the *Public Governance, Performance and Accountability Act 2013* (the Act).

PGPA Rule reference	Part of report	Page		Requirement
17BE		***Contents of annual report***		
17BE(a)	Legislation	4	Details of the legislation establishing the body.	Mandatory
17BE(b)(i)	What we do	3	A summary of the objects and functions of the entity as set out in legislation.	Mandatory
17BE(b)(ii)	What we do	3	The purposes of the entity as included in the entity's corporate plan for the reporting period.	Mandatory
17BE(c)	Responsible minister	2	The names of the persons holding the position of responsible minister or responsible ministers during the reporting period, and the titles of those responsible ministers.	Mandatory
17BE(d)	Ministerial directions and government policy orders	2	Directions given to the entity by the minister under an act or instrument during the reporting period.	If applicable, mandatory
17BE(e)	Ministerial directions and government policy orders	2	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(f)	N/A		Particulars of non-compliance with: a. a direction given to the entity by the minister under an act or instrument during the reporting period; or b. a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(g)	Annual performance statements	42–76	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule.	Mandatory

PGPA Rule reference	Part of report	Page		Requirement
17BE(h), 17BE(i)	N/A		A statement of significant issues reported to the minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	If applicable, mandatory
17BE(j)	Approval by accountable authority	viii	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period.	Mandatory
17BE(k)	Organisational structure	11	Outline of the organisational structure of the entity (including any subsidiaries of the entity).	Mandatory
17BE(ka)	Ongoing and non-ongoing employees	86–90	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: a. statistics on full-time employees; b. statistics on part-time employees; c. statistics on gender; d. statistics on staff location.	Mandatory
17BE(l)	Organisational structure	11	Outline of the location (whether or not in Australia) of major activities or facilities of the entity.	Mandatory
17BE(m)	Key corporate governance practices	82–86	Information relating to the main corporate governance practices used by the entity during the reporting period.	Mandatory

PGPA Rule reference	Part of report	Page		Requirement
17BE(n), 17BE(o)	N/A		For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): a. the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and b. the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	If applicable, mandatory
17BE(p)	N/A		Any significant activities and changes that affected the operation or structure of the entity during the reporting period.	If applicable, mandatory
17BE(q)	N/A		Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity.	If applicable, mandatory
17BE(r)	N/A		Particulars of any reports on the entity given by: a. the Auditor-General (other than a report under section 43 of the Act); or b. a Parliamentary Committee; or c. the Commonwealth Ombudsman; or d. the Office of the Australian Information Commissioner.	If applicable, mandatory
17BE(s)	N/A		An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report.	If applicable, mandatory

PGPA Rule reference	Part of report	Page		Requirement
17BE(t)	N/A		Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	If applicable, mandatory
17BE(taa)	Audit, Risk and Compliance Committee	14–16	The following information about the audit committee for the entity: a. a direct electronic address of the charter determining the functions of the audit committee; b. the name of each member of the audit committee; c. the qualifications, knowledge, skills or experience of each member of the audit committee; d. information about each member's attendance at meetings of the audit committee; e. the remuneration of each member of the audit committee.	Mandatory
17BE(ta)	Key management personnel	91	Information about executive remuneration.	Mandatory
17BF		***Disclosure requirements for government business enterprises***		
17BF(1)(a)(i)	N/A		An assessment of significant changes in the entity's overall financial structure and financial conditions.	If applicable, mandatory
17BF(1)(a)(ii)	N/A		An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions.	If applicable, mandatory
17BF(1)(b)	N/A		Information on dividends paid or recommended.	If applicable, mandatory

PGPA Rule reference	Part of report	Page		Requirement
17BF(1)(c)	N/A		Details of any community service obligations the government business enterprise has including: a. an outline of actions taken to fulfil those obligations; and b. an assessment of the cost of fulfilling those obligations.	If applicable, mandatory
17BF(2)	N/A		A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise.	If applicable, mandatory

Appendix E – Index

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Independent Health and Aged Care Pricing Authority

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

02 8215 1100

enquiries.ihacpa@ihacpa.gov.au