

Pricing Framework, National Efficient Price and National Efficient Cost Determinations 2025–26

This fact sheet outlines the National Efficient Price and the National Efficient Cost Determinations 2025–26 for Australian public hospital services.

National efficient price (NEP)

\$7,258 per national weighted activity unit

Average cost of an admitted episode of care in a public hospital.



461 Australian Public Hospitals

receive funding based on their activity levels.



The NEP underpins the implementation of activity based funding. The NEP determines the levels of Australian Government funding for public hospital services and provides a cost benchmark.

To determine the NEP, we rely on a vast amount of cost data at a patient level, provided by states and territories using the [National Hospital Cost Data Collection](#).

Every hospital admission is then allocated a **national weighted activity unit (NWAU)**.

The NWAU includes 'price adjustments' to reflect legitimate and unavoidable variations in the cost of delivering services, such as whether a patient lives in a remote area or is a child.

The 'average' hospital service is worth one NWAU. More intensive and expensive activities are worth multiple NWAUs. Simpler and less expensive activities are worth fractions of an NWAU.



Price of a public hospital service = NWAU x the NEP for the financial year

For example, a hip replacement (minor complexity) has a weight of 4.0251 NWAU which equates to \$29,214.

National efficient cost (NEC)

The fixed cost is

\$2.637m

Average cost of a small rural hospital.

The variable cost is

\$7,617



361 small rural hospitals

receive a fixed and variable amount of funding based on location, size and type of services they provide.



The NEC is based on a fixed-plus-variable structure. The total modelled cost of a small rural hospital is the sum of a fixed cost component and variable cost component. This model reflects the changes in activity delivered in small rural hospitals, and it ensures there is no disincentive for states and territories to provide services in rural areas. An additional loading of 35.3% is applied for very remote hospitals.

Pricing and funding for safety and quality

In 2016, all Australian governments signed a [Heads of Agreement](#) that committed to improving health outcomes and decreasing avoidable demand for public hospital services. We will continue to further develop and implement pricing for safety and quality into the funding of public hospital services.

Cost per national weighted activity unit



The average of the year-to-year rate of growth in the cost-per-NWAU since 2017-18 is 5.0%.

Activity based funding timeline

2011

National Health Reform Agreement signed by all Australian governments; this agreement outlines the establishment of IHACPA.

2012

First NEP was established at \$4,808.

2013

First NEC was established at \$4.738 million.

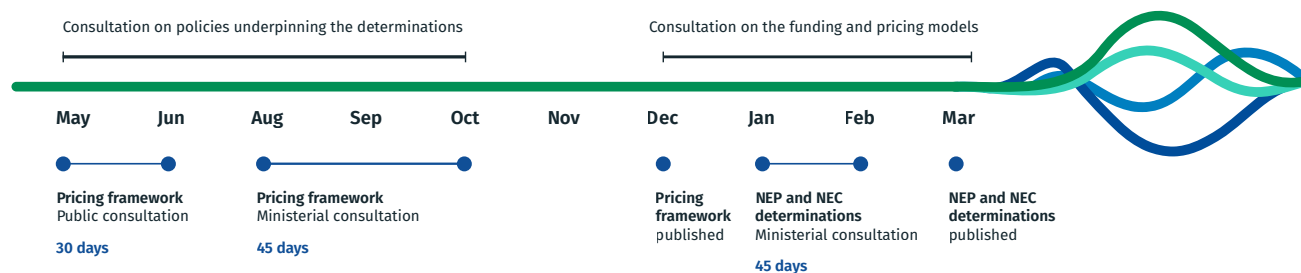
2025

Fourteenth NEP was established at \$7,258.

Thirteenth NEC was established at \$2.637 million fixed cost and \$7,617 variable cost.

Public consultation

The [Pricing Framework for Australian Public Hospital Services](#) is released prior to the NEP and NEC determinations. This provides an opportunity for a range of stakeholders, including all Australian governments, peak healthcare bodies, and the general public, to consider the principles and policies underpinning the determinations. Consultations also provide an extra level of transparency and accountability.



About IHACPA

The Independent Health and Aged Care Pricing Authority (IHACPA) was established under the *National Health Reform Act 2011* (Cth) to contribute to significant reforms to improve Australian public hospitals. A vital component of these reforms is the implementation of activity based funding for public hospital services.

Each financial year, we release the annual national efficient price (NEP) and national efficient cost (NEC) to determine the Australian Government's contribution to public hospitals.

The funding is then distributed by the [Administrator of the National Health Funding Pool](#).

Further information

To learn more about the Independent Health and Aged Care Pricing Authority, get in touch via the details below.

(02) 8215 1100 enquiries.ihacpa@ihacpa.gov.au ihacpa.gov.au

Find us online

Independent Health and Aged Care Pricing Authority