



# **Submission to the Independent Health and Aged Care Pricing Authority (IHACPA)**

**on the**

# **Towards an Aged Care Pricing Framework Consultation Paper**

**Prepared by  
COTA Australia  
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## COTA Australia

COTA Australia is the national consumer peak body for older Australians, which through policy development, advocacy and representation seeks to achieve an equitable, just and inclusive society for Australia's more than eight million older Australians. COTAs have been identifying the needs of, and issues affecting, the welfare of older Australians since the first COTA was formed in 1951.

COTA Australia's members include the eight State and Territory COTAs (Councils on the Ageing). Through over 45,000 individual members and supporters of the COTAs, and the COTAs' wide range of ageing sector and seniors' organisation members COTA Australia directly represents over 500,000 older Australians.

COTA Australia is the leading voice for the rights and interests of older Australians. Its focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve, and protect the circumstances and wellbeing of older people in Australia. Information about, and the views of, our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes. COTA's non-partisan advocacy, on issues identified in collaboration with older people, has advanced the national agenda for older people's wellbeing for over seven decades.

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## Introduction

COTA Australia welcomes the opportunity to respond to the Towards an Aged Care Pricing Framework Consultation Paper.

The Pricing Framework will be a key aged care policy document and IHACPA's approach to aged care costing and pricing advice to Government has significant implications for consumers of aged care.

We would encourage IHACPA to take into serious consideration outcomes for consumers in the development of their approach and the principles guiding pricing advice. Engagement and consultation with consumers about all types of aged care pricing, not just client contributions, should be a core component of the IHACPA approach.

The consultation paper chapters and questions adequately cover the scope of issues related to pricing. However, the paper could be clearer, more expansive, and robust about some content and detail.

The intent, purpose and context of aged care services and the needs of aged care consumers varies considerably from hospitals.

Clinical needs and outcomes in aged care are vitally important. However, the Royal Commission into Aged Care Quality and Safety regularly identified that funding of measures to ensure a good quality of life must be viewed as equally as important. COTA strongly shares this view.

## A new funding approach for residential aged care

In principle, COTA Australia supports the introduction of the new, activity based AN-ACC funding approach for residential aged care. However, we are concerned that the new model does not cover all services provided and applies a too narrow, clinical based view of care.

The AN-ACC model does not include so called "lifestyle" type services that are offered in many residential facilities. For consumers it is vital that these services be covered in the pricing framework and that IHACPA have sufficient resources to include transparent benchmarks related to quality of life and lifestyle supports and costs.

Following the Aged Care Royal Commission into Aged Care Quality and Safety, the view of care in the AN-ACC approach has focused on items provided by Personal Care Workers and nurses and does not specifically include in its design services and activities that address intellectual, emotional & spiritual needs. The IHACPA's approach to funding will need to consider how such services are maintained.

## Principles for activity-based funding in aged care

### Overarching principles

In the principle regarding access to care it states that "Funding should support appropriate access to aged care services." COTA Australia recommends the removal of the word *appropriate* and replacing it with *timely*. There is significant variability in the understanding of what appropriate means. Timeliness is a critical factor in the provision of aged care.

The principle on fairness should focus on outcomes for consumers and not price equity between

providers.

The principle on Quality care should ensure that quality of life outcomes is equally considered with quality-of-care outcomes. This must be done in ways that are beyond the current consumer experience survey.

### **Process principles**

Administrative processes should focus on being effective and efficient and not ease. IHACPA and providers should have effective and efficient administrative practices to meet outcomes. The word “unduly” in the currently worded principle is particularly unhelpful. Transparent benchmarks about administrative timeframes would be useful.

Regarding the transparency principle, we believe that IHACPA should be allowed by government to ensure its advice is public (not “may” be public) to build confidence of consumers and providers. We recognise that this is not IHACPA’s call but would like our strong position noted and recorded.

COTA Australia recommends an emphasis on consistency rather than stability. This would reinforce the point made about the need for continuity and predictability in pricing to facilitate the effective implementation of ABF across the system. We acknowledge that providers need enough time and notice to readjust to change.

### **System design principles**

In terms of the fostering care innovation principle, the first pricing round must consider what is best practice regarding the use of current technology and should be applied to ensure that price does not compensate for the lack of investment in current technology by poorer performing providers. There should be clear benchmarks regarding the use of new technology and technology investment with negative implications for providers who do not so.

The principle “Promoting harmonisation” needs to be clarified. COTA Australia is concerned that this may lead to the lowest common denominator approach to system design.

COTA Australia recommends that the words “recipient based” be replaced by “person centred” or “individualised”.

## **Developing aged care pricing advice**

Several factors contribute to quality variation in aged care, and this is not always price related. In COTA Australia’s experience, investment in better systems generally results in better care.

Third party and related party payments must be market contested to ensure the price is efficient and appropriate. IHACPA must ensure it does not accept costs on face value and ensure the costs presented are appropriate.

Given the noted variability in quality and the need to ensure all providers are funded to meet the minimum standards, COTA Australia supports the use of a ‘normative’ or ‘best practice’ pricing approach so that prices are set at a level that enables the required care standards to be met. We would suggest this approach is needed for the next five years and may need to be adjusted to a ‘cost based’

approach thereafter.

Indexation should consider the remuneration rates of a representative sample of Enterprise Bargaining Agreements (EBAs) to ensure real life wage price setting. If wage prices were only benchmarked against awards COTA would be concerned that the indexation rate would not be appropriate to the real experiences of aged care providers who utilise an estimated 70% of their annual budget towards staffing costs.

## Adjustments to the recommended price

There should be strong consumer input and engagement processes regarding any adjustment to recommended prices.

More work is needed on the AN-ACC model to address variability of assessment of quality and safety.

COTA Australia is concerned that variable pricing based on the current model would inappropriately incentivise a focus on quality of care over quality of life. COTA reemphasises the Royal Commission's view that both are equally important.

Adjustments will need to be made to allow for fair and equitable consumer contributions.

## Priorities for future development

Priorities for future development should include:

- **The inclusion of a fair and equitable price for hotel costs**
- **The inclusion of all costs including additional services, extra services, and hotel costs**

COTA Australia strongly argues that all costs including additional services, extra services, and hotel costs should be included in the pricing framework. Consumers have been reporting to us for many years, inconsistency, and a lack of transparency in additional/extra service costs. Fair and equitable prices should be determined for hotel costs. The inclusion of additional/extra service costs would be applying the key principles previously discussed.

- **Home care pricing advice**

Home care is an essential service program in the aged care system. The pricing advice framework for home care should be developed as a matter of urgency.

- **Residential Respite Costing study**

The refinement of the AN-ACC funding model for residential respite, to ensure it reflects the actual costs of residential respite care

- **Provision for the needs of older people with disability and the pricing framework relationship with the NDIS**

There is considerable uncertainty regarding aged care prices for older people with a disability and service price choices for consumers regarding both aged care and the NDIS. This needs to be resolved urgently.

- **The publishing of an annual pricing report**

It is fundamentally important for confidence in the aged care system that an annual pricing report is published and publicly available.

Ends.