

**Independent Health and Aged Care Pricing Authority**

**Towards an Aged Care Pricing Framework**

**Consultation Paper**

Submission

October 2022

## About ACCPA

Aged and Community Care Providers Association (ACCPA) is the national Industry Association for aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

ACCPA exists to unite aged care providers under a shared vision to enhance the wellbeing of older Australians through a high performing, trusted and sustainable aged care sector. We support our members to provide high quality care and services while amplifying their views and opinions through an authoritative and comprehensive voice to the government, community, and media.

Our sector serves to make better lives for older Australians, and so do we.

## Background

Following passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* the Independent Hospital Pricing Authority (IHPA) has been expanded to take on the role of providing costing and pricing advice on aged care to the Australian Government (the Government).

The newly formed Independent Health and Aged Care Pricing Authority IHACPA (the pricing authority) has released its *Towards an Aged Care Pricing Framework Consultation Paper* (the Paper) for comment.

The pricing authority has historically undertaken costing studies, analysis of activity data and pricing determinations in the public hospital sector and has now been expanded to undertake similar activities in aged care. The expanded pricing authority indicates it relies on a consultative, transparent, and evidence-based approach in relation to public hospital pricing and is committed to these same principles in relation to aged care costing and pricing advice<sup>1</sup>.

They are seeking input from stakeholders on its policy approach, methodology and principles that will inform the *Pricing Framework for Australian Aged Care Services* (the Framework) which is due in early 2023. It is stated that the Framework (which is described as the key policy document for IHACPA in relation to aged care) will underpin the pricing model which will in turn inform Government's decisions on residential aged care funding from 1 July 2023 and with the consultation paper being the 'primary opportunity' for stakeholders to contribute to the development of the pricing framework<sup>2</sup>.

A stated intention is to achieve greater alignment of funding to the actual costs of delivering care<sup>3</sup>.

ACCPA is pleased to submit our response to this important work.

---

<sup>1</sup> Aged Care Consultation Frequently Asked Questions, Independent Health and Aged Care Pricing Authority, Version 1.0 August 2022, p5

<sup>2</sup> IBID, p7

<sup>3</sup> Newly formed Independent Health and Aged Care Pricing Authority releases consultation to inform aged care pricing advice, Media Release IHACPA, 16 August 2022

## Executive summary

ACCPA supports transition to an activity-based funding model overseen by an independent pricing authority.

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

### Exclusion of Hotel Services

We appreciate the Authority's concern about the limited time to consider hotel services costs. However, it is not clear to us how these costs can be feasibly excluded. The Aged Care Funding Instrument (ACFI) has always funded a significant portion of hotel services costs.

If these costs are excluded from IHACPA's initial analysis of care costs, it will still be necessary for IHACPA to make a preliminary recommendation about how these costs will be funded.

The basic daily fee is not and has never been sufficient to cover these costs. Providers are unable to charge additional fees to cover these costs, both because of regulations and the impracticality of drastically changing pricing models.

As such, it is not clear how hotel services costs are to be funded if they are not factored into the AN-ACC subsidy recommendations.

There is data available on hotel services costs, through statutory financial reports and third-party sources such as the StewartBrown data. We appreciate, that there are methodological challenges, such as adjusting for additional and extra services fees.

However, simply excluding these costs from recommendations regarding the AN-ACC price appears equivalent to assuming that the Basic Daily Fee (BDF) is adequate, despite the very clear Royal Commission finding that the BDF is inadequate.

### Excluding home care

We note that Home Care Packages and CHSP are excluded from the initial remit of the Authority. This is problematic as it is not clear what alternative approach to indexation will be used in the interim.

### Margin

Part of the price for the delivery of services in aged care must be a reasonable operating margin. The most appropriate approach from ACCPA's perspective would be to benchmark the margin against other similar health services, such as private hospitals. It may be reasonable to separate the return on physical capital from the services component.

### COVID-19 related costs

General COVID-19 related preparatory costs will be included within the cost data that IHACPA considers. Responses to COVID-19 outbreaks will require a separate funding arrangement. There are several possible options for this, including continuation of the current grant funding arrangements. There may be elements of the funding model for COVID-19 responses that are appropriately priced by IHACPA in future years.

### Contemporaneity and indexation

The Pricing Authority will necessarily need to make use of historical data to determine costs, and given prices increase, this data will not adequately reflect contemporary prices in the year that a particular IHACPA recommendation applies.

Generally, IHACPA should use historical data on price changes to index its price recommendations so that they adequately cover costs in future years.

Providers have not expressed a clear view on whether this should be based on general price indexes such as CPI or a specially constructed aged care price index.

Consideration also needs to be given to averaging and use of historical data. There is a benefit to reflecting the most recent data in price changes as quickly as possible, but this also means that pricing is more unpredictable, which creates difficulty for business planning.

Some degree of averaging so that prices are known with a reasonable degree of accuracy in advance would greatly improve the ability of aged care providers to plan their annual budgets.

### Major changes in future costs, including wages and staffing minutes

In some cases, there will be major changes in future costs that are predictable. One example of this would be a significant increase in Award wages. Another example is the increase in residential care staffing.

In these cases, IHACPA needs to forecast the cost increases as carefully as possible and adjust as needed in subsequent determinations.

There is particular concern in the sector about the adequacy of allocated funding for staffing minute requirements, and this issue needs to be examined by IHACPA.

### Adjustments for facility level factors

For the first iteration of the IHACPA's recommendations we do not support the creation of additional facility level adjustment factors, beyond the approach already incorporated into AN-ACC.

### Adjustments for quality

We support consideration being given in future reviews to additional payments or penalties based on quality or clinical events. However, these issues are not sufficiently well understood at present to enable these payments to be made sensibly. The current version of the star ratings and quality indicators are not sufficiently robust.

Further consideration is needed with respect to services that receive adverse regulatory findings. We expect that on average there is likely to be some correlation between having lower expenditure and adverse regulator findings. On the other, after an adverse regulatory finding is made the costs of remediation are significant and potentially distort overall cost estimates.

## General Commentary

### Exclusions

The Paper indicates the pricing authority's initial cost analysis and price recommendation will focus on care related costs, and more specifically care costs related to Part 2 of the Schedule of Specified Care and services<sup>4</sup>.

*Hotel services* are currently excluded from the initial costing study. Whilst we appreciate the Authority's concern about the limited time to consider hotel services costs, it is not clear to us how these costs can be feasibly excluded. The Aged Care Funding Instrument has always funded a significant portion of hotel services costs.

If these costs are excluded from IHACPA's initial analysis of care costs, it will still be necessary for IHACPA to make a preliminary recommendation about how these costs will be funded.

The basic daily fee is not and has never been sufficient to cover these costs. Providers are unable to charge additional fees to cover these costs, both because of regulations and the impracticality of drastically changing pricing models.

As such, it is not clear how hotel services costs are to be funded if they are not factored into the AN-ACC subsidy recommendations.

There is data available on hotel services costs, through statutory financial reports and third-party sources such as the StewartBrown data. We appreciate, that there are methodological challenges, such as adjusting for additional and extra services fees.

However, simply excluding these costs from recommendations regarding the AN-ACC price appears equivalent to assuming that the Basic Daily Fee (BDF) is adequate, despite the very clear Royal Commission finding that the BDF is inadequate.

We note the Paper indicates that if hotel services were included in the scope of AN-ACC that it would need to align with Schedule 1 (Quality of Care Principles 2014) – Care and services for residential care services. This is positive in that Schedule 1 covers important matters such as administration, maintenance of building costs, utilities, cleaning services, general laundry etcetera<sup>5</sup>.

*Accommodation costs* are also not included in the initial pricing recommendation. Like hotel services, we believe they should be considered in subsequent price studies to ensure that costs related to this component of service delivery are recognised and fully recoverable. However, this should only relate to the accommodation subsidy rather than the broader accommodation pricing.

*Home care pricing* is not being addressed in the initial pricing recommendation. Whilst we support Government's delay to 2024 of a new Support at Home Program this means home and community care providers will be subject to another year of

<sup>4</sup> Towards an Aged Care Pricing Framework Consultation Paper, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, p37

<sup>5</sup> Schedule 1 – Care and services for residential care services, Quality of Care Principles 2014, Federal Register of legislation, Australian Government

inadequate indexation, compounded by Government's inaction on Recommendations 110 and 111 of the Royal Commission<sup>6</sup>.

Government must address indexation for home care providers in the interim to shore up sector viability. When the pricing authority does commence looking at home and community care, this should be done in concert with stakeholders in the sector to determine the costs to be included in costing studies.

*Respite costs* are proposed to be studied by the pricing authority. Again, we see this as positive as respite must be funded to the extent that it actively incentivises the provision of acute short-notice and planned respite to ensure adequate availability of respite places for older Australians (both emergency and planned).

*Pricing of new residents* and at other times is also proposed to be looked at. We support the one-off adjustment payments for all new residents under AN-ACC (currently weighted at 5.28 NWAU multiplied by the AN-ACC price<sup>7</sup>) and note that the pricing authority will look to determine whether the current NWAU weighting is appropriate to support new residents. We also note the Paper refers to reviewing '*any other key periods in the resident's journey where costs may vary*'<sup>8</sup>.

We suggest the pricing authority explore the costs incurred by providers where residents have acute self-limiting episodes of increased care need (say following an acute medical episode or surgery) where they require additional support to recover and rehabilitate. These self-limiting episodes of rehabilitation support should be funded to enable the resident to remain independent for as long as possible.

## Indexation

A key component of the transition to AN-ACC is the addressing of indexation. For years the approach to indexation has been wholly inadequate compounding inadequate funding. This was recognised by the Royal Commission into Aged Care Quality and Safety (the Royal Commission) where evidence was provided that Governments of the day used indexation as a means to control growth in outlays<sup>9</sup> and that over time the approach to indexation has reduced the real value of the funding that is available contributing to the quality of care that is experienced.<sup>10</sup>

We saw this problem rear its head again this year where indexation of 1.7 per cent was announced for FY2022-23 where providers are experiencing inflation at 5.1 per cent, award wage increases of 4.6 per cent and 0.5 per cent superannuation guarantee increases. Clearly this is not sustainable.

We are frustrated that government of the day and now the Labor government have chosen not to change the approach to indexation (both in residential and home & community care) prior to the pricing authority commencing independent pricing determination as recommended by the Royal Commission (Recommendations 110 and 111<sup>11</sup>). These are lost opportunities to address funding inadequacy that would help support quality care provision.

---

<sup>6</sup> Australian Government Response to the Final Report of the Royal Commission into Aged Care Quality and Safety, Ageing and Aged Care Australian Government, Department of Health, May 2021, pp74-75

<sup>7</sup> How do I calculate my AN-ACC care funding? Department of Health and Aged Care Fact Sheet

<sup>8</sup> Towards an Aged Care Pricing Framework Consultation Paper, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, p45

<sup>9</sup> Final Report: Care, Dignity and Respect, Volume 1 Summary and Recommendations, Royal Commission into Aged Care Quality and Safety, Commonwealth of Australia, February 2021, p55

<sup>10</sup> IBID, p55

<sup>11</sup> Australian Government Response to the Final Report of the Royal Commission into Aged Care Quality and Safety, Ageing and Aged Care Australian Government, Department of Health, May 2021, pp74-75

The Pricing Authority will necessarily need to make use of historical data to determine costs, and given prices increase, this data will not adequately reflect contemporary prices in the year that a particular IHACPA recommendation applies.

Generally, IHACPA should use historical data on price changes to index its price recommendations so that they adequately cover costs in future years.

Providers have not expressed a clear view on whether this should be based on general price indexes such as CPI or a specially constructed aged care price index.

Consideration also needs to be given to averaging and use of historical data. There is a benefit to reflecting the most recent data in price changes as quickly as possible, but this also means that pricing is more unpredictable, which creates difficulty for business planning.

Some degree of averaging so that prices are known with a reasonable degree of accuracy in advance would greatly improve the ability of aged care providers to plan their annual budgets.

### Price and wages

The Paper indicates that the pricing authority's pricing recommendation will account for the impact of wage increases on costs, but only where these costs have been determined by the FWC in the prior year<sup>12</sup>.

Where a wage determination occurs outside of a normal pricing cycle, and where that determination will impact provider's costs, there must be a mechanism for the pricing authority to make a recommendation to Government to adjust the price. Were such a recommendation to occur we say that this should be in the public realm along with Government's response.

The pricing authority should consider prospective wage increases and incorporate these into its price recommendations for the relevant pricing period. Any required adjustment can be made, should the wage movement estimate be subsequently shown to be too high or too low. Not to do this means that there may be lags in pricing adjustment (to account for the wage movement) that mean providers have costs that are not recovered.

Separately, we support the pricing authority's view that it is not proper for them to comment on the appropriateness of wages.

### Annual review of pricing

All relevant costs should be reviewed annually, accompanied by a price recommendation.

What these relevant costs are, should be determined by the pricing authority in consultation with sector stakeholders.

The costing activities undertaken, and the subsequent price recommendation must be published and released via a consultation paper, with the sector given the opportunity to review and provide feedback.

We recommend Government's response to the pricing authority's price recommendation be tabled via parliament, including their rationale should they not accept the pricing authority's recommendation.

---

<sup>12</sup> Towards an Aged Care Pricing Framework Consultation Paper, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, p5



All these steps must be fully transparent.

Separately the costs experienced by providers in a given financial year must be reflected in the price recommendations as close to that year as is practicable. We note for example that for public hospitals the price determination for 2023-24 relies on cost and activity from the 2019-20 year.

### Functions of the Aged Care Pricing Commissioner

The pricing authority's frequently asked questions indicates the functions of the Aged Care Pricing Commissioner now sits with the expanded pricing authority<sup>13</sup>. We broadly support this change and suggest the opportunity be taken to review the functions formerly attended by the Aged Care Pricing Authority.

### Pricing Authority's role in AN-ACC

The pricing authority indicates its role in AN-ACC includes the following<sup>14</sup>:

- Provide advice on AN-ACC price
- Provide advice on the NWAU or price weights that determine the relative prices of different AN-ACC classes (including through reviewing the distribution of residents across the AN-ACC classes)
- Review and propose refinements to the cost components in the AN-ACC funding model
- Explore future areas of reform and their impact on classifications, costing, pricing, and model development

We are broadly supportive of this, our key comment being that these technical matters should be apolitical and NOT influenced by government imperatives such as managing expenditure.

Changing weightings, refining cost components, and exploring classification reform etcetera must be done using data and empirical evidence. Any proposal to change must be communicated beforehand with the sector, with opportunity provided for consultation.

Many regional and country providers are concerned that the Modified Monash Model is not nuanced enough to accurately reflect their costs, future work by the pricing authority should look at whether the current approach does adequately recognise costs related to location for different regional, rural, and remote providers.

The original [RUCS study](#) looked at care delivery that was already in place, AN-ACC must allow for, and adequately fund, innovation in service delivery. We cannot simply fund on historical care delivery approaches.

### Care related costs

As indicated earlier, the pricing authority is initially limiting its price recommendation to cover 'predominantly' care related costs, and is defining these as those covered under Part 2 of the Schedule of Specified Care and Services, including administrative costs directly related to care<sup>15</sup>.

---

<sup>13</sup> Aged Care Consultation Frequently Asked Questions, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, p2

<sup>14</sup> IBID, p3

<sup>15</sup> IBID, section 6.2

Part 2 of the Schedule incorporates:

- Daily living activities assistance
- Meals and refreshments (special diets not normally covered)
- Emotional support
- Treatments and procedures
- Recreational therapy
- Rehabilitation support
- Assistance in obtaining health practitioner services
- Assistance in obtaining access to specialised therapy services
- Support for care recipients with cognitive impairment<sup>16</sup>

If the pricing authority is initially limiting its scope to ‘predominantly’ care related activities as summarised above, it will need to ensure that it captures as accurately as possible all care related costs in delivering the above services.

There is particular concern in the sector about the adequacy of allocated funding for staffing minute requirements, and this issue needs to be examined by the pricing authority.

We recommend the pricing authority work closely with [StewartBrown](#) to ensure it understands the costs related to the care activities described above, including associated administration fees, and ensure these costs are captured and inform the initial price recommendation (thus ensuring that price accurately reflects the actual cost of delivering care).

Our preference is for the pricing authority to include a broader cost base for its price determinations to ensure price reflects all costs associated with delivering care and services. We note comments in the Paper that a future costing approach may include other cost areas such as hotel services.

We would like to see the Terms of Reference given to the pricing authority to understand what they have been asked to do.

We support the decision not to include costs related to Extra Services and Additional Services<sup>17</sup> as the fees for these services would reflect the cost of delivering these services.

### Price and care

The Paper acknowledges that the setting of price will take some time to put in place and that the pricing authority’s initial focus is on recommending a price that reflects the need for providers to meet care minutes as well as other factors required to ‘support minimum care standards and quality improvement<sup>18</sup>.’

We support the view of the authors of the Paper that in reviewing costs and recommending price, consideration needs to be given to both:

1. Reviewing historical costs to ensure price reflects the actual cost of care and service delivery (cost-based pricing), and
2. The price also takes into consideration the cost of meeting care standard requirements (best practice or normative pricing)

---

<sup>16</sup> Part 2 – Care and services – to be provided for all care recipients who need them, Quality of Care Principles 2014, Aged Care Act 1997, Compilation No. 10, 3 September 2021, pp39-40

<sup>17</sup> Towards an Aged Care Pricing Framework Consultation Paper, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, section 6.2

<sup>18</sup> IBID, p36

Point 1 is relatively straightforward, the authority simply needs to capture all costs related to delivering care and services and have the subsequent price reflect changes in these costs. However, a price that simply captures changes in historic costs may not be enough to allow providers to deliver on 'quality'.

Point 2 is much more complex as the price will need to ensure providers are funded adequately to deliver care and services to a standard expected by the community, the funder, and the regulator (via the Aged Care Quality Standards). Much work still needs doing to understand the price required to ensure providers are funded to deliver quality care and services. Such work should be done in concert with the sector.

ACCPA would be pleased to engage on work undertaken by the pricing authority looking at where price is to be set to ensure providers can deliver on quality. We understand this is likely to be a longer-term piece of work and not possible for the initial price recommendation for 1 July 2023.

### Price and other costs

Whilst the Paper talks to initially recommending a price that enables delivery on the care minute requirements due to come into play on 1 October 2023 there are other costs that are impacting providers now that need to be captured and taken into consideration.

#### *Compliance related costs*

The Royal Commission identified a range of issues in aged care that they believed required reforms to address deficits, encompassing themes of accountability, transparency etcetera. These resulted in a range of recommendations, most of which have been supported by Government, that impose new compliance reporting requirements on providers. These cover matters as diverse as serious incident reporting, new financial reporting requirements, additional quality indicator reporting, proposed monthly care statements, formation of new advisory committees to a provider's governing etcetera.

Separately from the 1 December 2020 all residential aged care providers that had clients that received NDIS funding support (referred to as *dual participants*) were automatically registered with NDIS and are now required to meet additional registration, regulatory, compliance and reporting requirements, and with all of these additional compliance related costs unfunded.

With reforms continuing apace we expect compliance requirements to continue to grow.

These are costs that providers are experiencing now (and are unfunded) and these must be part of the cost structure that is considered as part of the pricing authority's costing studies.

#### *COVID related costs*

It is well documented that providers continue to experience significant ongoing costs related to the COVID-19 pandemic. These costs can broadly be grouped into costs related to outbreaks and costs related to preventative measures.

- *Costs associated with COVID outbreaks* – all outbreak related costs should be reimbursed via a grant program
- *Costs related to preventative measures* – all prevention related costs should be captured as part of the pricing process

Whilst there is a grant process in place to reimburse providers who have experienced an outbreak, many providers are currently experiencing significant delays in having these costs

reimbursed through the grants program. These delays are compounding the financial pressures providers are already experiencing.

Government must address this issue and ensure adequate resourcing is in place ensuring providers are reimbursed for outbreak related costs in a timely manner.

ACCPA supports these costs being reimbursed through a grants approach as long as that programmed is adequately resourced to make payments to providers in a timely manner.

In relation to preventative measures, providers are experiencing ongoing COVID related care costs now as part of delivering safe and quality care. These costs must be captured and considered in the pricing recommendation for 1 July 2023.

This cannot wait to subsequent cost review / price recommending periods.

We note in the former Independent Pricing Authority's Consultation Paper<sup>19</sup> from June this year that COVID related costs will be reviewed and quantified helping to inform the development of the NEP23 (the national efficient price for 2023-24).

The same consideration must be given to the cost impact of COVID-19 in residential aged care for the 1 July 2023 price.

We recommend the pricing authority engage with StewartBrown to determine the preventative care related COVID costs that providers are experiencing now and incorporate these into the 1 July price recommendation.

### Operating margin

The sector must be funded not only to cover costs related to care and service delivery but also to deliver safe and quality care (i.e., funded to meet quality standards).

Part of the price for the delivery of services in aged care must be a reasonable operating margin. The most appropriate approach from ACCPA's perspective would be to benchmark the margin against other similar health services, such as private hospitals.

The sector needs to be able to experience an adequate return on investment that provides for growth, capital investment, investment in innovation and technology etcetera and which encourages investment into the sector.

The ninth report of the Aged Care Financing Authority<sup>20</sup> reported that planned building activity remains subdued (p111) and that 'there remains a significantly lower proportion of providers reporting an intention to rebuild or upgrade' or who had 'delayed investment plans in residential aged care citing depressed returns' (p128) and went on to note that for profit providers had emphasised that the 'current return on capital deployed in aged care was below the cost of capital' and that this would 'curtail additional investment in the sector' (p129).

The pricing authority could consider these matters in subsequent pricing studies and offer informed commentary as to whether the sector is funded adequately to achieve these.

This could include offering commentary on whether there are adequate returns relative to other health sectors both here and overseas.

---

<sup>19</sup> Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2023-24, Independent Hospital Pricing Authority, June 2022, p6

<sup>20</sup> Ninth report on the Funding and Financing of the Aged Care Sector, Aged Care Financing Authority, June 2021

If government is to pay for care, then they should either have settings that allow providers an adequate return on investment or free them up to set their own margins.

### Adjusting for facility factors

The Paper talks to factors that impact costs, including facility characteristics such as remoteness. It notes that for the new funding tool the Australian National Aged Care Classification (AN-ACC), the Base Care Tariff (BCT) component is adjusted only for [MMM](#) categories 5 to 7 (we think this should read MMM classes 6 and 7) plus some other service characteristics (such as service type and size) and not for the lower categories.

We understand the [RUCS](#) study attended by the University of Wollongong showed that with only a few exceptions most providers had similar fixed care costs. This went against conventional wisdom in parts of the sector that said costs experienced by the mid-level MMM services are also impacted by location.

We trust that detailed costing studies over multiple years by the pricing authority will either confirm the findings of the RUCS study or show that in fact mid-tier MMM providers actually do experience different costs to their metropolitan counterparts. If it were to confirm the latter the pricing authority will be well placed to recommend adjustments to the BCT weightings.

### Adjusting for safety and quality

We note the Papers discussion on pricing adjustments for safety and quality (page 43). It references the approach taken in public hospitals where price adjustments are made for hospital acquired complications and where there are risk-adjusted price reductions that minimise undesirable consequences.

The (former) Independent Pricing Authority's June 2022 Consultation Paper (section 9 Pricing and funding for safety and quality) describes funding adjustments (read reductions) where patients experience 'sentinel events' or hospital acquired complications as a mechanism to promote quality and safe care<sup>21</sup>.

We are pleased that the pricing authority recognises the 'different structure and nature<sup>22</sup>' of aged care and that this poses a 'significant challenge for any proposed pricing adjustments for safety and quality'.

Whilst we support consideration being given in future reviews to additional payments or penalties based on quality or clinical events the pricing authority will need to develop a solid understanding of the aged care environment before it looks to introduce risk-adjusted pricing. In a hospital environment it is relatively straight forward to identify a hospital acquired complication or identify where a sentinel event has occurred (for example a surgeon amputates the wrong limb, or a bone infection occurs following a total hip replacement).

Things can be less clear in aged care, for example if a person in aged care enters with a chronic long term wound or develops a health complication from a long-term disease these cannot be attributed to the quality of care provided by the facility.

Likewise, the dignity of risk, and the right to self determination needs to be taken into consideration, for example where a person chooses to ambulate even though there is some risk to doing this unassisted and they subsequently fall and sustain an injury. Can the

---

<sup>21</sup> IBID, p32

<sup>22</sup> Towards an Aged Care Pricing Framework Consultation Paper, Independent Health and Aged Care Pricing Authority, Version 1.0, August 2022, p43

provider experience a risk-adjusted funding adjustment for that resident, simply because they have supported the resident's right to self-determination?

We must guard against negative unintended consequences for the resident or client of a risk-adjusted funding approach.

Having said this, we believe there is a place for such an approach to funding where it is demonstrated a provider was negligent in their care and this negligence directly resulted in injury or harm.

An approach to risk-adjusted payment adjustments must be linked to 'open disclosure' requirements.

We therefore support the pricing authority exploring this matter over time and recommend sector stakeholders are engaged in consultation.