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Professor Michael Pervan

Chief Executive Officer

Independent Health and Aged Care Pricing Authority

Eora Nation

Level 12, 1 Oxford Street

Sydney NSW 2000

Email: submissions.ihacpa@ihacpa.gov.au

**Submission to the Independent Health and Aged Care Pricing Authority (IHACPA)
Consultation on the Pricing Framework for Australian Residential Aged Care Services 2027-28**

Dear Professor Pervan,

The National Rural Health Alliance (the Alliance) welcomes the opportunity to comment on IHACPA's *Consultation Paper on the Pricing Framework for Australian Residential Aged Care Services 2027-28* (2027-28 Consultation Paper).

The Alliance represents organisations and individuals committed to improving the health and wellbeing of people living in rural, regional and remote Australia (hereafter rural Australia). The Alliance comprises [57 member organisations](#) which include healthcare, disability and ageing professionals, service providers, health and medical educators and trainers, researchers, medical and health practitioner students, the Aboriginal / Torres Strait Islander health sector and organisations that deliver care for rural and remote Australians.

The Alliance has consistently advocated for equitable access to aged care regardless of geography through our aged care policy work. This submission builds on this advocacy and previous submissions to IHACPA, including our response to the following consultations:

- [Pricing Framework for Australian Residential Aged Care Services 2026-27](#)
- [Pricing Framework for Australian Support at Home Aged Care Services 2027-28](#)
- Aged Care Network Survey about the cost to deliver everyday living services in rural and remote locations

Collectively, our advocacy demonstrates that older Australians living in rural and remote communities experience significantly poorer access to ageing services despite often having higher health needs and poorer social determinants of health.

The Alliance remains concerned that national pricing approaches continue to be largely informed by metropolitan service models. While residential aged care providers face challenges nationwide, providers operating in rural and remote Australia experience additional unavoidable cost pressures arising from workforce shortages, travel, freight, accommodation, infrastructure limitations, low population density and thin market conditions. Unless these factors are comprehensively recognised within IHACPA's pricing advice, older rural Australians will continue to experience inequitable access to residential aged care services.

Pricing equity must consider remoteness and scale

Consistent with previous submissions, a key principle underpinning the Pricing Framework must be **pricing equity**. That is, the Pricing Framework must ensure that funding reflects the actual cost of delivering safe and high-quality care in different geographic settings.

Equity does not mean providing identical prices across Australia; rather, it means recognising that achieving equivalent outcomes requires different investment levels in rural and remote areas. However, geographic tiering alone is insufficient. Pricing advice should consider **minimum viability thresholds and recognition of scale**. That is, IHACPA should develop pricing advice that **accounts for service scale**, not just geographic remoteness, in recognition that smaller facilities have reduced capacity to spread fixed costs and face greater vulnerability to workforce shortages, occupancy fluctuations and supply-chain disruptions.

Unlike metropolitan markets where a provider exiting may reduce consumer choice, provider withdrawal in rural and remote Australia frequently results in complete loss of local access to residential aged care. Pricing therefore is a health equity issue, rather than an efficiency issue, in rural and remote areas.

Response to Consultation Questions

Question 1: Administration and Care Management Costs

Rural and remote residential aged care providers face higher administration and care management costs than metropolitan providers because of workforce scarcity, geographic isolation and limited economies of scale.

Costs that are challenging particularly for smaller facilities include: recruitment and retention activities; staff housing and accommodation management; workforce relocation support; quality and compliance requirements; digital reporting systems; and coordination across large geographic catchments.

The Alliance recommends that IHACPA recognise both remoteness and facility size when allocating administration and care management costs.

Question 2: Data Sources and Representation

The Alliance remains concerned that existing cost datasets may not adequately reflect the realities of rural and remote service delivery.

Consultation materials indicate many MM6 and MM7 services are excluded from analyses because of data trimming, high variation or small sample sizes. While this may improve statistical consistency, it risks removing precisely the providers experiencing the greatest cost pressures.

The Alliance recommends IHACPA adopt data collection and analytical methodologies that do not disproportionately exclude remote services.

Question 3: Cost Allocation Methodologies

The Alliance supports methodologies that better identify the drivers of residential aged care costs, particularly those that distinguish between fixed and variable costs. This is important especially in smaller rural facilities where low occupancy and limited scale significantly influence viability.

In the Alliance's response to the recent Aged Care Network Survey about the cost to deliver everyday living services in rural and remote locations, we highlighted the importance of recognising different

cost profiles by remoteness, service size, provider type, local supply conditions and specialised service status.

The Alliance recommends that IHACPA ensure the cost allocation methodologies accurately reflect the true drivers of expenditure in rural residential aged care services.

Question 4: Individual and Shared Care Costs

Many rural residential aged care facilities rely on flexible and integrated models of care. Indeed, service delivery frequently relies on shared clinical resources, outreach arrangements and multidisciplinary approaches. These models are necessary because of workforce shortages and limited service availability rather than organisational preference.

The Pricing Framework should ensure shared care activities are appropriately recognised and funded.

Question 5: Costs Associated with the *Aged Care Act 2024*

In our response to the recent Aged Care Network Survey, the Alliance noted concerns raised by stakeholders that some costing approaches continue to rely on historical expenditure data collected under previous legislative arrangements.

The Alliance also notes that the operating environment for residential aged care providers has changed substantially in recent years. Providers continue to face rising costs across a range of expenditure categories including wages, agency staffing, food, utilities, insurance, fuel, freight, maintenance, information technology and compliance requirements. These pressures are often particularly acute in rural and remote areas due to workforce shortages, limited supplier competition, transport costs and supply chain challenges.

While IHACPA applies indexation and known increases or policy changes that might affect both activity and costs, there remains concern that costing is based on activity and a system of delivery under the old legislation. Indeed, rising costs have a direct impact on service viability in rural and remote communities which may not be fully offset through indexation, reinforcing the importance of ensuring pricing advice reflects contemporary costs and service delivery realities.

The Alliance recommends that pricing advice reflect the actual cost of delivering care under the *Aged Care Act 2024* including the cumulative impact of rising operating costs, rather than service models that existed prior to implementation.

Conclusion

The Alliance supports IHACPA's commitment to evidence-based pricing advice and encourages the Authority to ensure that pricing equity remains central to the Residential Aged Care Pricing Framework 2027–28.

Older Australians living in rural, regional and remote communities already experience poorer access to aged care services, workforce shortages and greater barriers to ageing in place. Without explicit recognition of remoteness, service scale, thin markets, workforce scarcity, freight and transport costs, implementation costs arising from the *Aged Care Act 2024*, and the broader role of residential aged care within regional health systems, these inequities will continue to widen.

Appropriately funded rural residential aged care is not simply a matter of provider sustainability. It is fundamental to supporting ageing in place, maintaining community connections, reducing pressure on hospitals, and ensuring that older Australians can age with dignity regardless of where they live.

The Alliance welcomes the opportunity to engage further with IHACPA as pricing advice continues to be refined.

Yours sincerely,



Margaret Deerain

Director, Policy and Strategy Development