Submission Cover Sheet

Inquiry into the Fiscal Sustainability of the ACT

Submission number: 004

Submitter: Independent Health and Aged Care Pricing Authority

Date authorised for publication: 10 February 2026

IHACPA

Ref: D26-1684

Ms Jo Clay MLA
Chair
Select Committee on the Fiscal Sustainability of the ACT
196 London Circuit
CANBERRA ACT 2601

Dear Ms Clay

Submission to the Inquiry into the fiscal sustainability of the ACT

Thank you for your invitation to contribute to the Inquiry into the fiscal sustainability of the Australian Capital Territory (ACT), received on 16 December 2025. The Independent Health and Aged Care Pricing Authority (IHACPA) welcomes the opportunity to contribute to the Inquiry.

IHACPA was established in 2011 under the *National Health Reform Act 2011* (NHR Act) to promote improved efficiency in, and access to, public hospital services by providing independent advice to governments in relation to the efficient costs of such services and developing and implementing robust systems to support activity based funding (ABF) for such services.

National pricing model

As outlined in the National Health Reform Agreement, IHACPA is required to determine a national efficient price (NEP) and national efficient cost (NEC), which underpin the national pricing model. These determinations play a crucial role in calculating the Commonwealth funding contribution to Australian public hospital services and are published each year for the upcoming financial year.

An ABF model based on the NEP, which uses actual activity and cost data reported by all states and territories, was primarily implemented to drive public hospital efficiency. It provides a relevant price signal to states and territories, and local hospital networks (LHNs), that is intended to support improvements to patient access to services, efficiency and funding effectiveness.

IHACPA is also required to deliver an annual NEC Determination that underpins block funding for public hospitals or services that are not suitable for ABF. The NEC Determination is used by the Administrator of the National Health Funding Pool to determine the amount of block funding provided by the Commonwealth to LHNs. IHACPA applies block funding criteria to identify whether hospitals or services are eligible for block funding only, or a mix of ABF and block funding.

National data-driven approach to pricing

IHACPA adopts a national, data-driven approach to fulfilling its determinative functions under the NHR Act. To provide financial predictability and sustainability over time, IHACPA's analysis, costing and pricing methodologies underpinning the determination of the NEP and NEC are exclusively based on activity and cost data from all jurisdictions and considered at a national level, supported by consultation with all jurisdictions.

Activity data is collected quarterly. Cost data is collected annually and is provided to IHACPA through the National Hospital Cost Data Collection (NHCDC). IHACPA publishes annual NHCDC Public Sector Reports and NHCDC Public Sector Review Reports. The most recent reports are the NHCDC Public Sector Report 2022-23 and NHCDC Public Sector Review Report 2022-23, available on the IHACPA website.

Jurisdictions are responsible for ensuring the quality and accuracy of the data they report, with support from IHACPA through the provision of nationally consistent data specifications and standards.

National Benchmarking Portal

The data-based approach to pricing and funding has provided significant value in ensuring the sustainability of public hospital funding and enabled the development of an unparalleled and growing repository of activity and cost data for Australian public hospitals spanning the past decade for use in research and policy making, for example, through the National Benchmarking Portal (NBP).

The NBP presents information on the cost per national weighted average unit (NWAU), hospital acquired complications and avoidable hospital readmissions.

The purpose of the NBP is to provide a tool for comparison between hospitals, LHNs, jurisdictions and hospital peer groups throughout Australia. The NBP represents data with activity appropriately measured using NWAU to support comparable benchmarking. The lack of data submissions from any jurisdictions impacts on the quality of data and benchmarking available to the public through the NBP. Due to the non-provision of ACT NHCDC cost data for 2022–23, ACT will not be able to assess its efficiency against NWAU benchmarks and compare its unit costs to national averages for that year.

I would like to thank you again for the opportunity to contribute to the Inquiry. If you have any questions, please do not hesitate to contact me on [redacted] or at [redacted].

Yours sincerely

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

30 January 2026