

4 April 2025

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

By email to: submissions.ihacpa@ihacpa.gov.au

Dear Prof Pervan,

Re: Invitation for Consultation – *Draft IHACPA Work Program and Corporate Plan 2025–26*

The Royal Australian and New Zealand College of Psychiatrists (RANZCP) welcomes the opportunity to provide input on the Draft Independent Health and Aged Care Pricing Authority (IHACPA) *Work Program and Corporate Plan 2025-26* (the Plan).

The RANZCP appreciates the invitation to provide feedback on the draft Plan and will provide a response regarding:

1. Australian Mental Health Care Classification (AMHCC) Version 2.0;
2. application of the Activity Based Funding (ABF) model; and
3. funding of older people in aged care services.

The RANZCP's submission is informed by feedback from RANZCP Committees including the Section of Perinatal and Infant Psychiatry and Faculty of Psychiatry of Old age, along with our [Position statement 37: Principles for mental health systems](#), which emphasises the need for mental health services to be evidence-based, integrated, and comprehensively evaluated for quality improvement.

1. AMHCC Version 2.0

The RANZCP supports the IHACPA's continued development of AMHCC Version 2.0. It is the RANZCP's position that the classification of mental health care services in public hospitals should be informed by the best available data. The use of the Health of the Nation Outcome Scales (HoNOS) measurement tool for the assessment of funding merits further examination. It is the RANZCP's position that there are significant limitations in capturing the complexity and associated costs of care for mental health patients.

The RANZCP also recommends greater coordination with state and territory governments to ascertain cost variations in specialist mental health services such as Mother Baby Units (MBUs). MBU beds and their costings are not being adequately captured by using the current framework. Current diagnostic groupings and the use of the HoNOS does not, at

present, represent the complexity of care needed for MBU patients, such as the therapeutic work undertaken with the mother-infant dyad and within the broader family context. As outlined in our previous meeting with IHACPA on 27 March 2023, the RANZCP has coordinated with NSW Health to present a summary of the options around funding MBUs and the risks/benefits for each option that have been considered by WA and NSW previously.

2. Variations in ABF model

It is the RANZCP's view that while community mental health care is transitioned from block funding to an Activity Based Funding (ABF) model. IHACPA should consider variations in activity, particularly in rural and remote locations. Challenges remain in implementing ABF in mental health services based in regional and rural Australia where services are stretched with minimal non-government providers available.

Funding of consultation-liaison psychiatry services using the ABF model in these settings is also challenging due to fluctuations in activity. It is the RANZCP's view that there are difficulties in the ability of ABF to capture the wide activity of consultation liaison psychiatry.

3. Funding for older people

It is the RANZCP's view that costings by IHACPA for older people in psychiatric wards should consider the diverse range of diagnoses and comorbidities of patients. The cost and use of beds for patients with dementia as a primary diagnosis requires further consideration. This is necessary given the projected increase in presentations to psychiatric wards of patients with dementia as a primary diagnosis. The Australian Institute of Health and Welfare (AIHW) predicted in 2024 that the total number of Australians with dementia [will more than double by 2058](#).

The RANZCP recommends a careful review into the per diem payment of patients with a primary diagnosis of dementia in psychiatric wards. IHACPA would benefit from a targeted analysis of the annual volume of dementia patient days in psychiatric settings, coupled with a clear quantification of the difference in per diem funding compared to other wards, to support fair and informed funding decisions.

The RANZCP commends IHACPA's advocacy in the funding of mental healthcare and welcomes future engagement and consultation in this area.

For further discussion of any issues raised above, please contact Sam Dipnall, Acting Executive Manager, Policy, Practice and Research via sam.dipnall@ranzcp.org or by phone on (03) 9236 9107.

Yours sincerely



Dr Elizabeth Moore
President

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