



Indigenous Australians' Health Programme (IAHP) Primary Health Care Funding Distribution Model – Technical Factsheet

Purpose

From 2024-25 Aboriginal Community Controlled Health Organisations (ACCHOs) funded under the IAHP to deliver comprehensive primary health care (CPHC) have four-year rolling funding agreements, with funding amounts stipulated for the first two years (2024-25 and 2025-26).¹ Every two years the department will review each ACCHO's funding levels in accordance with the Funding Distribution Model, with an additional two years of funds allocated and grant extensions offered to make the agreements 'roll'.

This Factsheet outlines how the Funding Distribution Model is constructed and the calculation steps that the department follows to determine each ACCHO's funding levels under the four-year rolling funding agreements.

Model structure

The Funding Distribution Model distributes the IAHP CPHC grant funds available to ACCHOs according to ACCHOs' activity levels. Activity levels are measured by **client numbers** and **episodes of care** reported annually by each ACCHO through the Online Services Report (OSR). Each ACCHO's activity levels are then **adjusted** to account for the cost of delivering services depending on remoteness and relative health needs of individual communities. These key terms are described in Table 1.

Table 1. Definition of Funding Distribution Model terms

Client numbers	<p>This refers to how many individuals received health care from the ACCHO during the collection period. July 1 to June 30 would constitute one collection period. Each individual is counted as a client once only within an ACCHO, regardless of how many times they are seen. Visitors and transient clients are included in client counts, but clients attending group activities only (and who do not receive individual care) are excluded. This method of counting clients is used in the OSR².</p> <p>While the IAHP's purpose is to support ACCHOs to deliver CPHC tailored to the health needs of Aboriginal and Torres Strait Islander people, ACCHOs also deliver CPHC to non-Indigenous people. For the purposes of the Funding Distribution Model, the total number of clients that will be counted towards an ACCHO's activity levels will be the sum of Aboriginal and Torres Strait Islander clients plus up to 15% of the overall client number (including non-Indigenous clients). The final figure will not exceed the overall number of clients reported by an organisation.</p> <p>Example: ACCHO A delivered care to 100 clients, comprising 79 Aboriginal and Torres Strait Islander clients (79%) and 21 non-Indigenous clients (21%). For modelling purposes, 15 of the 21 non-Indigenous clients will be added to ACCHO A's Aboriginal and Torres Strait Islander clients, meaning ACCHO A's total number of clients $15 + 79 = 94$ clients.</p>
----------------	---

¹ See [GrantConnect GO6742](#)

² See [AIHW Online Services Report](#)

Episode(s) of care	<p>An Episode of Care (EoC) is a contact between an individual client and a service, with one or more staff, to provide health care within one calendar day. All contacts on the one day are treated holistically as an EoC. This is the method of counting EoC used in the OSR.</p> <p>As with the treatment of an ACCHO’s client numbers, the total number of EoC that will be counted towards the Funding Distribution Model will be the sum of Aboriginal and Torres Strait Islander EoC plus up to 15% of the overall EoC (including non-Indigenous EoC).</p>										
Adjustments	<p>Weighting adjustments made to the client numbers and EoC to account for the cost of CPHC service delivery depending on remoteness and relative health needs of individual communities across Australia.</p> <p>For remoteness, the Funding Distribution Model uses the location of service delivery based on the Remoteness Structure component of the Australian Bureau of Statistics’ Australian Statistical Geography Standard.</p> <p>To estimate the relative health needs of individual communities, the Funding Distribution Model uses the service delivery location’s Indigenous Relative Socioeconomic Outcomes (IRSEO) index as a proxy. For more information see the IAHP Primary Health Care Funding Model Technical Factsheets on Location and Health Care Need.</p>										
Available grant funds	<p>The funding distribution model distributes the IAHP grant funds available to ACCHOs funded under the rolling agreements to deliver CPHC under the Grant Opportunity GO6742. Up to \$2.697 billion (GST exclusive, indexation inclusive) is available under GO6742 over four years from 2024-25.</p> <table border="1" data-bbox="443 1131 1369 1205"> <thead> <tr> <th>2024-25:</th> <th>2025-26:</th> <th>2026-27:</th> <th>2027-28:</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>\$600.9M</td> <td>\$648.93M</td> <td>\$698.39M</td> <td>\$749.35M</td> <td>\$2.697B</td> </tr> </tbody> </table>	2024-25:	2025-26:	2026-27:	2027-28:	Total	\$600.9M	\$648.93M	\$698.39M	\$749.35M	\$2.697B
2024-25:	2025-26:	2026-27:	2027-28:	Total							
\$600.9M	\$648.93M	\$698.39M	\$749.35M	\$2.697B							
Allocated funding	<p>The actual amount of IAHP CPHC grant funds allocated to each individual ACCHO under the rolling funding agreements each year.</p>										
Model-calculated funding	<p>An ACCHO’s model-calculated funding is reached by taking the relevant year’s total funding available and splitting it in half. One half is distributed based on each ACCHO’s adjusted client numbers, and the other half on the adjusted EoC.</p> <p>An ACCHO’s allocated funding amount is either above or below its model calculated funding amount.</p> <p>To address sector concerns about the impacts of the COVID pandemic on the reliability of OSR data, the department used ACCHOs’ OSR data averaged across the reporting periods 2021-22 and 2022-23 to produce each ACCHO’s model-calculated funding under the first two years of the rolling agreements (2024-25 and 2025-26). The threshold to determine whether an ACCHO’s model-calculated amount was above or below its allocated funding was set at an additional 25% to accommodate the same concerns.</p>										

Calculating an ACCHO's CPHC funding under the four-year rolling agreements

Year 1 – 2024-25

Each ACCHO is allocated their 2023-24 CPHC funding amount plus a one-off increase of 5%.

Year 2 – 2025-26

Each ACCHO is allocated their 2024-25 CPHC funding amount, with an additional percentage increase applied as determined by the Funding Distribution Model as follows (see [Figure 1 Illustration of the Funding Distribution Model](#))

- Where an ACCHO's 2024-25 model-calculated funding is **25% or more below** its allocated funding, its 2025-26 allocated funding equals its 2024-25 allocated funding **plus an increase of 1% of the funding allocated in 2024-25**.
- Where an ACCHO's 2024-25 model-calculated funding is **less than 25% below** its allocated funding, its 2025-26 allocated funding equals its 2024-25 allocated funding **with an increase of 3% of the funding allocated in 2024-25 and a share** of the remaining grant funds in 2025-26.
- The size of each ACCHO's share is calculated using the Funding Distribution Model based on the adjusted client numbers and EoC as noted in [Table 1. Definition of Funding Distribution Model terms](#).

Years 3 and 4 – 2026-27 and 2027-28

ACCHOs' 2026-27 and 2027-28 CPHC funding allocations will equal their 2025-26 funding allocation plus a share of any additional funds calculated using the Funding Distribution Model. The additional funding will be determined in the first funding review in 2025-26.

The department working with the National Aboriginal Community Controlled Health Organisation (NACCHO) will settle the approach for this review. The intention is to follow the calculation steps outlined above in relation to Year 2 (2025-26) using ACCHOs' OSR data averaged across the previous three years (2022-23 to 2024-25).

Treatment of indexation under the rolling agreements

Indexation is applied to the IAHP CPHC funding pool for ACCHOs that receive rolling funding agreements, consistent with the Government's commitment to increase the funding pool at 3% year-on-year (inclusive of indexation). The annual 3% increase to the CPHC funding pool exceeds the average indexation rate of the past 10 years.

Accordingly, indexation is built into ACCHOs' CPHC allocated funding each year, with either a 1% or 3% increase applied, and additional funds calculated using the Funding Distribution Model. Under the rolling agreements, no additional grant payment is made to apply indexation separately to ACCHOs' annual grant allocations. This treatment of indexation provides greater funding certainty for ACCHOs while decreasing administrative burden.

Model implementation under the four-year rolling agreements

2025-26 Funding Allocation

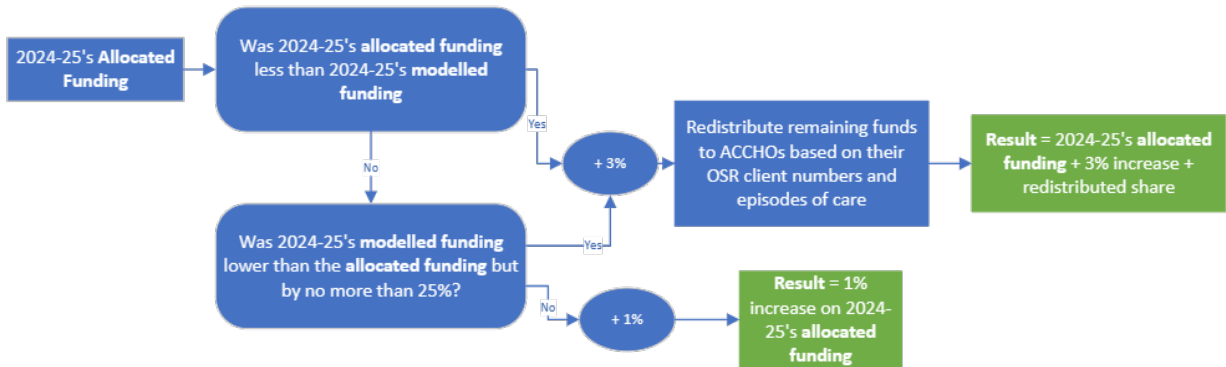


Figure 1 Illustration of the Funding Distribution Model

This figure shows how an ACCHO’s allocated and model-calculated funding amounts in 2024-25 are used to determine the ACCHO’s 2025-26 funding allocation and the percentage increase applied. With the exception of the 2024-25 financial year (in which all ACCHOs receive a one-off 5% increase to their 2023-24 allocated funding), ACCHOs are categorised as either being above or below their model-calculated funding amount.

Following the percentage increases being applied to each ACCHO’s funding allocation (at 2024-25 levels), the remaining grant funds in 2025-26 are distributed to those ACCHOs with allocated funding below the model-calculated funding amount. Each ACCHO’s distributed share is determined by its model-calculated funding amount expressed as a share of those remaining funds available in that year.

To illustrate how an ACCHO’s 2025-26 allocated funding is determined using the Funding Distribution Model, the below is a scenario where there are three ACCHOs receiving IAHP PHC funding: Orgs A, B and C. Each ACCHO’s allocated and model-calculated funding amounts are shown below.

2024-25	2025-26		
CPHC funding pool \$1,000	CPHC Funding Pool \$1,100		
	1% increase to over + 3% increase to under =\$1,026	Remaining funds to be distributed using the distribution model = \$74	Total 2025-26 funding
Org A 2024-25 allocated amount \$500 2024-25 model calculated amount \$610 22% under allocated	Org A 2024-25 allocated plus 3% (\$500+\$15)	+ Org A Share of remaining (\$50.72)	= Org A 2025-26 allocated amount \$565.72
Org B 2024-25 allocated amount \$300 2024-25 model calculated amount \$280 7% over allocated	Org B 2024-25 allocated plus 3% (\$300+\$9)	+ Org B Share of remaining (\$23.28)	= Org B 2025-26 allocated amount \$332.28
Org C 2024-25 allocated amount \$200 2024-25 model calculated amount \$110 45% over allocated	Org C 2024-25 allocated plus 1% (\$200+\$2)	= Org C 2025-26 allocated amount \$202	

Figure 2 Illustration of how an ACCHO’s distributed share is determined by its model-calculated funding amount

- To determine the percentage increase (1% or 3%) to be applied to each ACCHO, each ACCHO’s allocated funding amount in 2024-25 is compared to its model-calculated amount and treated as follows:

- 1) If an ACCHO's 2024-25 model-calculated funding is 25 per cent or more below the allocated funding amount (e.g. **Org C**), its 2025-26 funding amount equals its 2024-25 allocated amount **plus a one per cent increase**.
 - 2) If an ACCHO's 2024-25 model-calculated funding is less than 25 per cent below the allocated funding amount (e.g. **Org A and Org B**), its 2025-26 funding amount equals its 2024-25 allocated amount **plus a three per cent increase and a share** (calculated by the Funding Distribution Model) of the remaining funds in the funding pool.
- Whereas the total IAHP CPHC funding available for the three ACCHOs in 2024-25 is \$1,000, the 2025-26 funding pool has grown by \$100 to \$1,100 and distributed as follows:
 - 1) Org A receives $\$500 + (\$500 \times 3\%) + \text{a share of the remaining funds} = \$515 + \text{share}$
 - 2) Org B receives $\$300 + (\$300 \times 3\%) + \text{a share of the remaining funds} = \$309 + \text{share}$
 - 3) Org C receives $\$200 + (\$200 \times 1\%) = \$202$
 - After applying the percentage increases outlined above, \$74 remain in the 2025-26 funding pool for distribution among Orgs A and B ($\$1100 - 515 - 309 - 202 = \74). Because Org C's model-calculated funding is below its allocated funding, Org C is not eligible for a share of the remaining funds.
 - The following steps show how the Funding Distribution Model determines Org A and Org B's shares and how much each will receive from the \$74 remaining in the funding pool:

$$\text{Org A's share} = \frac{A's \text{ Model Calc.Amount}}{A's \text{ Model Calc.Amount} + B's \text{ Model Calc.Amount}} \times \$74 = \frac{610}{610+280} \times \$74 = \$50.72$$

$$\text{Org B's share} = \frac{B's \text{ Model Calc.Amount}}{A's \text{ Model Calc.Amount} + B's \text{ Model Calc.Amount}} \times \$74 = \frac{280}{610+280} \times \$74 = \$23.28$$

- After determining Orgs A and B's shares, the below shows their allocated funding in 2025-26:

$$\text{Org A's allocated funding} = \$500 + (\$500 \times 3\%) + \$50.72 = \$565.72$$

$$\text{Org B's allocated funding} = \$300 + (\$300 \times 3\%) + \$23.28 = \$332.28$$

For further information about the IAHP Funding Distribution Model, please email indigenouphcpolicy@health.gov.au