

14 October 2022

Joanne Fitzgerald
A/Chief Executive Officer
Independent Health and Aged Care Pricing Authority

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

Dear Joanne,

RE: Aged Care Pricing Framework

Thank you for the opportunity to engage with IHACPA on the future approach to funding, costing and pricing of the Australian aged care system, in response to IHACPA's *Towards an Aged Care Pricing Framework Consultation Paper*. While this paper is primarily directed to consultation with the aged care delivery sector, we are conscious that it is also the responsibility of providers of digital and analytic solutions in health and aged care to contribute, as digital systems are critical to the effective design and delivery of the new activity-based funding (ABF) model and the realisation of the benefits to care for older Australians.

As Australia's largest provider of health and aged care software and digital health services, Telstra Health offers a unique perspective on the design and implementation of ABF mechanisms in residential aged care. This is based on our wide, relevant experience and expertise as outlined below:

1. **Market leader in digital aged care.** We are the largest provider of clinical and administrative software for residential aged care, with 60,000 beds covered by our clinical care and medications management products. We have been working hand-in-hand with aged care providers to anticipate and respond to pressures relating to quality care, workforce and sustainability. We have invested in digital capabilities for Residential Aged Care Facilities (RACFs) and their workforce for 18 years and deeply understand the levers for change and digital adoption in this sector. We provide services to large and small, rural and metropolitan, and NFP and for-profit aged care organisations. It is software systems such as ours that hold much of the information which will be required to establish and maintain meaningful and effective costing and pricing information on an ongoing basis;
2. **Market leader in health service costing analytics.** Through our joint venture, PowerHealth, the Telstra Health Group supports the majority of public and private hospitals across Australia and in a number of other countries with software to analyse activity-based costs, hospital billing, budgeting, and AR-DRG classifications to plan and manage care and costs. As a result, we understand how costing definitions and mechanisms are being used to best effect in health care and have also been working actively on how these lessons can be translated into residential aged care, noting that aged care will require its own bespoke approaches;
3. **Extensive executive experience in ABF design and implementation.** Successful implementation of ABF in public hospitals in 2012 required complex implementation approaches at both State and hospital levels to derive benefits and not be disruptive to delivery of care. Our Executive team includes strong and unique experience in the implementation of ABF in the context of major health sector reform. As a health service CEO, I implemented ABF funding for NSW's major paediatric teaching hospitals which required significant adaptation from the way ABF worked in adult hospitals. As Secretary of NSW Health, I applied the data systems created for ABF to enhance Value Based Care. Patrick Power, our Head of PowerHealth has been involved in ABF implementations across Australia and advised many hospitals over the years on the implementation of ABF in a hospital setting. Professor Mary

Foley, who is Special Adviser to Telstra Health, led the implementation of ABF in NSW when she was Secretary of Health; and

4. **Commitment to meaningful digital enablement of health and aged care.** Telstra Health has demonstrated commitment to development of digital enablers to improve the quality of care - both within and across traditional care boundaries. Our clinical and administrative systems, health data analytics, population health solutions, and information exchange platforms help providers to improve the quality, safety and efficiency of the healthcare they deliver. This includes significant and ongoing investment in software and data solutions which will support the Aged Care reform agenda.

This submission offers our perspective on specific issues and questions in the Consultation Paper, focused on the following key points:

1. **Aged and acute care systems are different.** Knowledge from aged care should be brought together with lessons from acute care in the design and implementation of ABF, but will require approaches specific to aged care and in a very accelerated timeframe, leveraging the decades of development of these systems in hospital care;
2. **Iteration.** There is a journey from design, to adoption, to gaining insight for continuous improvement. We encourage modest entry and conscious iteration to more mature systems which need as far as possible to be a by-product of care, and the data systems which support care, rather than a complex, administrative burden for staff in the sector; and
3. **Leverage existing digital systems.** Digital system providers have functionality already in place in the aged care setting that can be harnessed to provide insights on activity, data quality and workflows that will be necessary for meaningful use of ABF for quality assurance, planning and the ongoing improvement of the funding model.

We offer specific examples to illustrate these points in our following submission.

Telstra Health has a strong history of working closely with the Commonwealth government and in collaboration with our customers and our industry colleagues to accelerate the role of digital health to serve the Australian community within appropriate frameworks.

I and members of my team are very willing to support you with any further information and advice as you determine the next practical steps, and we thank you for your careful consideration of this submission. Larissa Briedis is available to arrange any conversations with our team or additional information which you may require, at larissa.briedis@health.telstra.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'EKoff'.

Elizabeth Koff AM
Managing Director
Telstra Health
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RESPONSES TO QUESTIONS FOR CONSIDERATION

As a provider of digital and analytic solutions in health and aged care, we at Telstra Health have focused on the digital systems and implementation issues that will be critical to the effective design and delivery of activity-based funding (ABF) in aged care and the realisation of the benefits to care for older Australians. In doing so we draw on our extensive experience in costing and pricing systems and in the practical implementation of these models of funding.

We are happy to provide further information and access to customer perspectives to demonstrate our insights as your policy considerations develop.

Our key points in responses to these questions:

1. **Aged and acute care systems are different.** Knowledge from aged care should be brought together with lessons from acute care in the design and implementation of ABF, but will require approaches specific to aged care and in a very accelerated timeframe, leveraging the decades of development of these systems in hospital care;
2. **Iteration.** There is a journey from design, to adoption, to gaining insight for continuous improvement. We encourage modest entry and conscious iteration to more mature systems which need as far as possible to be a by-product of care, and the data systems which support care, rather than a complex, administrative burden for staff in the sector; and
3. **Leverage existing digital systems.** Digital system providers have functionality already in place in the aged care setting that can be harnessed to provide insights on activity, data quality and workflows that will be necessary for meaningful use of ABF for quality assurance, planning and the ongoing improvement of the funding model.

Chapter 4 Theme: A new funding approach for residential aged care

Consultation questions:

- 1 What, if any, may be the challenges in using the Australian National Aged Care Classification (AN-ACC) to support activity based funding (ABF) in residential aged care?
- 2 What, if any, concerns do you have about the ability of AN-ACC to support long term improvement in the delivery of residential aged care in Australia that is efficient, sustainable and safe?
- 3 What, if any, additional factors should be considered in determining the AN-ACC national weighted activity unit (NWAU) weightings for residents?
- 4 What should be considered in developing future refinements to the AN-ACC assessment and funding model?

From Telstra Health's experience in translating ABF principles and processes to aged care, the greatest challenge to achievement of an effective model is the current lack of structured, electronically captured activity data on the processes of care in aged care and the difficulty, therefore, in the identification and measurement of key cost drivers which determine the relative cost weights or NWAUs associated with AN-ACCs.

At the present time, aged care clinical and administrative systems capture key resident care information such as the resident's care plan but this is not captured in a structured way that can be readily electronically harvested for costing purposes on a regular basis, as the by-product of care.

In hospitals, a long history of national minimum data set requirements and routinely recording clinical activities at the patient level, combined with coding patient care using the international classification of diseases and the use of DRGs for statistical and quality benchmarking purposes, provided a ready

environment into which ABF was introduced nationally for public hospitals commencing in 2012. Nevertheless, there was still a significant iterative process over a number of years as systems were refined and data improved. It is relevant to note that States and Territories underwrite public hospital services as the 'majority funder' and they each smoothed out the otherwise disruptive impact of the new funding model to keep their public hospital systems 'safe and operating' over the initial years while systems, data, electronic support tools and hospital performance reforms were implemented.

In residential aged care, the environment for introduction of ABF is very different, so that costing has to be undertaken by major nationally funded costing exercises, working with Residential Aged Care Facilities (RACFs), using manual time and motion studies. Telstra Health is experimenting with ways to capture this information in a more routine and accurate manner so that national costing data is available for national level pricing and funding development and by individual care provider facilities for their own use in understanding and managing their costs to provide appropriate levels of care.

Our experience to date has trialled two methods of activity data capture for costing. The first uses Apple iBeacons in each resident's room to automatically capture the time spent by carers in that room. The care time is transmitted to an app on an iPhone or iPod used by the carer. The second uses wearable Bluetooth cards and bracelets by the resident and the carer, capturing care time wherever the resident went. Our trials thus far have demonstrated that as soon as we add any complexity to the costing process, user errors take hold and undermine any value we are seeking to add. The lessons learnt so far are that we either keep costing simple, or otherwise the sector will need to spend significant funding on more staff to collect data or on sophisticated technology that actually goes beyond what we have seen to date in the acute care setting.

To overcome these issues, we are working with customers to marry electronic costing methodologies with activity data available from our current software systems, as we investigate how our aged care software products can be adapted to support the costing process for our customers' use and for IHACPA. We believe this can be done economically for aged care facilities and with a reasonable level of accuracy. The development of such systems would provide feedback loops to aged care facilities to improve their performance while also supplying the costing data used to create national data sets for NWAUs and also identify cost drivers from existing care plans to automate the capture and frequency of individual care activities.

We believe it is critical to work closely with residential aged care providers and digital solution providers, to identify high value data and how to readily capture it electronically, that can iteratively assist care providers and government to make improvements in care. In practice this means that it is better to collect and use a small but high quality and meaningful data set, and avoid the collection of large, and possibly low quality information, that may be problematic to apply in a consistent and meaningful manner.

CHAPTER 5 THEME: Principles for activity based funding in aged care

Consultation questions:

5 What, if any, changes do you suggest to the proposed principles to guide the development and operation of the Pricing Framework for Australian Aged Care Services?

6 What, if any, additional principles should be included in the pricing principles for aged care services?

7 What, if any, issues do you see in defining the overarching, process and system design principles?

In relation to the Overarching Principles, it is important that the principle of *Quality* be not only to meet the Aged Care Quality Standards but also for *Quality* to be supported and rewarded in funding. Similarly, for the principle of *Efficiency*, the emphasis on sustainability should clearly seek to include that the real costs

of providing quality care should be funded. This is covered to some degree in Chapter 6 in relation to normative or best practice pricing. The principle of *Maintaining* agreed roles and responsibilities should also include at some future stage the intersection with health and disability care.

With regard to Process Principles, our experience indicates that *administrative ease* is paramount. We have worked with care providers for decades to develop effective ways for them to administer and report for funding mechanisms, and we know that if these processes are separate and additional to day-to-day care processes, they are difficult to implement and are likely to produce lower quality results;

With regard to the Process Principle of *Stability*, we strongly argue that iteration is essential in the initial years of the new funding arrangements. This aligns with a key principle adopted by many states in their design of their hospital ABF models, that initial implementation needs to have regard for how to keep care delivery 'safe and operating' (this was the principle as expressed by NSW Health), recognising that there will need to be wide margins of error for poor data quality within the funding model in the early stages.

CHAPTER 6 THEME: Developing aged care pricing advice

Consultation questions:

- 8 What, if any, concerns do you have about this definition of a residential care price?
- 9 What, if any, additional aspects should be covered by the residential aged care price?
- 10 What, if any, concerns do you have about the proposed pricing approach and level of the residential aged care price? 11 How should 'cost-based' and 'best practice' pricing approaches be balanced in the short-term and longer-term development path of the Independent Health and Aged Care Pricing Authority's (IHACPA) residential aged care pricing advice?
- 12 What should be considered in the development of an indexation methodology for the residential aged care price?
- 13 What, if any, additional issues do you see in developing the recommended residential aged care price?

Telstra Health supports the Consultation Paper's outline of the considerations for aged care pricing that will be very different from the hospitals' average cost approach, noting that the funding reforms are intended to support a higher quality of care in accordance with national standards. In addition, from our hospital implementation experience, it is important in the early stages of implementation to avoid loading up the price with theoretical adjustments designed to encourage particular provider behaviours. These kinds of multiple micro adjustments add to complexity, reduce transparency, and can result in perverse incentives. A firm foundation requires an initial focus on capturing the actual costs of delivery of care in accordance with national care standards. This is consistent with IHACPA's recommended approach to price adjustments in Chapter 7 where it is noted that quality and safety adjustments should be a longer term consideration and should be phased in once the AN-ACC is well established. This was also the experience in the implementation of quality and safety adjustments for hospital NWAUs, which were not part of the initial national roll out of public hospital ABF in 2012.

CHAPTER 7 THEME: Adjustments to the recommended price

- 14 What, if any, changes are required to the proposed approach to adjustments?
- 15 What, if any, additional adjustments may be needed to address higher costs of care related to resident characteristics?
- 16 What evidence can be provided to support any additional adjustments related to people receiving care?
- 17 What should be considered in reviewing the adjustments based on facility location and remoteness?
- 18 What evidence can be provided to support any additional adjustments for unavoidable facility factors?
- 19 How should any adjustments for quality and safety issues be considered in the long-term development path of AN-ACC and the associated adjustments?

Telstra Health supports IHACPA's recommended approach for considering price adjustments in Chapter 7, and especially the principle that any adjustments must be evidence based and transparent. Digital systems in aged care combined with effective costing tools will become an important source of data to provide this evidence over time. We would therefore encourage IHACPA to include perspectives of the digital health solutions and analytics industry to inform future deliberations on price adjustments, especially in relation to data capture and improvement of data quality over time.

We also agree with IHACPA's preference for adjustments based on the characteristics of the recipient of care rather than the characteristics of the facility providing care, as facility adjustments may embed inefficiencies. It is important, however, to note that in the initial implementation phases, facility based adjustments are likely to be useful in managing risks to service delivery while data capture is improved. This approach was taken with hospital ABF implementation which used block funding of certain classes of hospital services in the initial years.

CHAPTER 8 THEME: Priorities for future developments

Consultation questions:

- 20 Should hotel costs be incorporated into the AN-ACC funding model and what should be considered in doing this?
- 21 What should be considered in future refinements to the residential respite classification and funding model?
- 22 What are the costs associated with transitioning a new permanent resident into residential aged care?
- 23 How might workforce challenges present in the implementation and refinement of AN-ACC for the aged care system?
- 24 What areas should be included in the proposed five-year vision for IHACPA's aged care pricing advice?
- 25 What would be considered markers of success in IHACPA's aged care costing and

In our view, it is critical that as far as possible all service costs be incorporated. This is consistent with the System Design Principle of *ABF pre-eminence* described in Chapter 5. From our hospital experience, the more buckets of non ABF funding there are, the harder it is to meaningfully measure and compare performance amongst providers and avoid cost shifting. However, in the initial phases of implementation pragmatic use of other pricing elements will reduce implementation risk. As data capture, costing and identification of cost drivers iteratively improve, this will inform decision making about inclusion of hotel services and other cost elements.

A key cost for new residents is seeking and reconciling health and care records- necessary to establish the level of care required within the RACF and by other clinical and allied health professionals. This process can be time consuming to coordinate and analyse, and should be recognised as a process relevant to quality of care for residents. This is also an area which can be improved overtime by digital systems and interoperability between aged care, primary care and hospitals.

Telstra Health commends IHACPA's 5 year vision for developing and refining the aged care pricing framework. This iterative approach, which draws on the hospital ABF experience but which recognises the different challenges and requirements for aged care, will be essential to achieving the potential benefits of ABF. We wish to reinforce the importance of developing robust data using digital technology and would urge that methods of data capture be designed as an adjunct to care, leveraging existing software systems, with an emphasis on feedback to providers to support continuous performance improvement. The digital health technology sector can be a resource to assist providers and government agencies in these deliberations.