



Medibank Private

Submission to the Independent Hospital Pricing Authority on
Pricing Framework for Australian Public Hospital Services
2017-18

November, 2016

2. Introduction

Medibank welcomes the opportunity to comment on the Independent Hospital Pricing Authority's (IHPA) Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2017-18 (Consultation Paper). Last year, around 100,000 Medibank customers received treatment in a public hospital as a privately-insured patient, and Medibank, on their behalf, made a contribution towards the cost of their care. As such, Medibank has a strong interest in supporting actions that can be taken to improve the safety and quality of care in public hospitals. Medibank's submission focuses exclusively on Chapter 11 of the Consultation Paper *'Pricing and Funding for Safety and Quality'*.

Medibank supports the development of funding models that can be used as a component of a comprehensive strategy to improve the safety and quality of healthcare in public hospitals.

As Australia's leading health insurer, Medibank aims to improve our 3.8 million customers' health outcomes, healthcare experience, and the affordability of their healthcare. One of the ways Medibank is helping to achieve these aims, is by working with our private hospital partners on a range of initiatives including reducing the rate of hospital acquired complications and related and unplanned re-admissions.

Our brief submission focuses on our experience implementing quality-based terms into contracts with our private hospital partners, and some early observations of a decline in hospital acquired complication rates following the introduction of these clauses.

3. *Medibank's approach to contracting for quality improvements*

Medibank began including quality based terms relating to hospital acquired complications (HACs) and unplanned and related readmissions within 28 days in hospital contracts from mid-2014. Our approach is based on a thorough review of Australian and international evidence, and has been refined in discussions with our hospital partners over the last two years.

Medibank is working with hospitals to ensure they follow their own Clinical Procedure Guidelines and have risk management measures in place. While complications following hospitalisation can occur, evidence shows that their frequency can be reduced if clinical guidelines are followed.

Under our new contracts, we require hospitals to demonstrate that:

- They have treated the event seriously and followed local Clinical Practice Guidelines or industry accepted guidelines; or
- The complication was not due to treatment either provided or withheld during the admission.

The list of complication items included in our contracts we refer to as *'Identified Complications'*.

Early indications suggest improvements are already being made that are benefiting our customers.

In our analysis of hospital casemix protocol (HCP) data received from private hospitals we have observed some examples of a decline in Identified Complication rates. We examined the relative Identified Complication rates of five major private hospital groups with quality terms included in their contracts, Identified Complications, 12 months before and after the new contracts were introduced:

- The two private hospital groups with the highest Identified Complication rates (compared with the other three private hospital groups, based on a 12 month average) have shown a declining trend in Identified Complications following the introduction of quality terms in the contracts;
- One private hospital group has continued its declining trend in Identified Complication rates (preceding and following the new contract);
- The two other private hospital groups have not shown an observable change in their Identified Complication rates.

For the two private hospital groups that showed a declining trend in Identified Complication rates following the introduction of quality terms in their contracts, we have estimated the number of additional Identified Complications that could have occurred during hospital treatments of our customers, in the absence of the decline in their Identified Complication rates. For the 12 months prior to the implementation of the new contracts, the combined Identified Complication rate of these two hospital groups was 25 Identified Complications per 1,000 acute overnight separations. For the 12 months after their new contracts were implemented the combined Identified Complication rate of these two hospital groups was 16 Identified Complications per 1,000 acute overnight separations. If the combined Identified Complication rate had not declined there could have been an additional 213 Identified Complications during the hospital treatments of our customers during this 12 month period.

We have not assessed the correlation between the introduction of quality terms and the reduction in Identified Complication rates at these private hospital groups, but have only observed the declining trend in Identified Complication rates. We will continue to monitor and evaluate the impact that these initiatives have on the quality of care received by our members, and are encouraged by early positive trends.

Medibank' s approach to contracting for improvements in safety and quality in healthcare is similar to Option 1 proposed in the IHPA Consultation Paper. This option recognises the role of the hospital provider in delivering quality care and reducing hospital acquired complications. Our approach encourages hospitals to implement clinical guidelines and to focus on identifying areas for improvement. We supplement our contracting approach by sharing data with our hospital partners and meeting with them quarterly to review trends. Early indications are that our contracts and our broader approach have helped to create an increased awareness of and greater focus on Identified Complications and related and unplanned readmissions amongst our private hospital partners.

4. *Conclusion*

Each year around 100,000 of our customers are treated in public hospitals as privately insured patients, so we have a strong interest in the quality of care delivered in these hospitals. Medibank is supportive of pricing and funding approaches that can be used as a component of the strategy to improve the safety and quality of healthcare. Medibank began including quality based terms relating to Identified Complications and unplanned and related readmissions within 28 days, in private hospital contracts from mid-2014. There are some observed examples of a decline in the rate of Identified Complications and an improvement in the quality of care that our customers receive, following the introduction of these new contracts.