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Dear James

Pricing Framework for Australian Public Hospital Services 2018-19

The Australian Private Hospitals Association (APHA) welcomes the opportunity to comment on the Consultation Paper on the Pricing Framework for Australian Public Hospital Services (2018-19).

Phasing out support for old versions of the AR-DRGs

APHA notes IHPA's proposal to maintain support for only the most current version of the AR-DRGs and the previous two versions such that in 2017-18 only V9.0, V8.0 and V7.0 would be retained.

APHA appreciates IHPA's rationale for phasing out support for old versions of the AR-DRG classification. However APHA must advise that a move to suddenly withdraw support for versions 4.1, 4.2, 5.0, 5.1, 5.2, 6.0, and 6.x would have a calamitous effect on the private sector. It is unfortunately the case that for historical reasons contractual arrangements across the sector rely on different AR-DRG versions.

As previously advised we strongly advocate that a staged approach be adopted whereby support is withdrawn for one version at a time with a firm lead time of at least three years. Our advice is that all of the older versions listed above remain in use to at least some extent. Usage is determined by contracts. If a large insurer decides to use a particular version in a large number of contracts the consequences of a change will be proportionally significant. The management of these consequences will require careful negotiation between providers and insurers. It would not be feasible for the industry to manage multiple recalibrations simultaneously.

Australian mental health care classification

APHA notes IHPA's continued work on the Australian Mental Health Care Classification and commencement of development of Version 2 of the classification. Noting that the private hospital sector is an important provider of mental health services, APHA regards it as essential that the private sector have the opportunity to contribute to the development and testing of the classification.

Private in public

APHA welcomes, IHPA's continued investigation into whether its private patient adjustments are accurately deducting other sources of revenue.

This is essential work in light of the continued rapid growth in the admission of private patients to public hospitals and associated private health insurance outlays in hospital, prostheses and medical benefits.

Sentinel events

APHA notes that the Australian Commission on Safety and Quality in Health Care (ACSQHC) has yet to finalise a review of the national list of sentinel events. Irrespective of the final outcome of the Commission's work, it is crucial, if any financial penalties are to be applied, that non-payment only apply to events that are wholly preventable. Events that are wholly predictable and preventable, and that should therefore never occur in a facility operating under accepted clinical practice and procedures, need to be differentiated carefully from risks that are inherent in the provision of care for critically ill and vulnerable people.

Without this differentiation, APHA is gravely concerned that hospitals and clinicians will be reluctant to provide services to vulnerable patients. It is essential to avoid risk of unintended consequences whereby access to services for vulnerable patients may be compromised. This could happen in two ways:

- reduction in the number/capacity of facilities able to admit high risk patients, or
- introduction of increased restrictions and controls on the manner in which care is provided.

Mental health is one area of particular concern where facilities must continuously balance the need to protect patients with the need to provide care in the least restrictive manner possible. The risk of self-harm or suicide must always be expertly assessed and addressed while at the same time, recovery-oriented care necessitates the clinically appropriate minimisation of restraints and restrictions. Consequently if suicide were to be included as a sentinel event for the purposes of the IHPA Pricing Framework, it would be essential that strict caveats were applied. It is doubtful that such caveats could be designed in a way that could be applied consistently without significant risk of gaming and under-reporting.

APHA is of the view that the risk of suicide amongst mental health patients should not be included in a list of sentinel events for which payment will be with-held. This view in no way contradicts the extreme seriousness with which suicide, or indeed any death occurring within a hospital, must always be regarded. Such events must always be reported and reviewed in keeping with internal and external regulatory requirements

The definition of 'sentinel events' for which a financial penalty applies should not

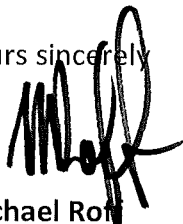
become confused with the equally important objective of prioritising matters that rightly require attention even though they are clearly not preventable in all circumstances.

If penalties are to be appropriately targeted IHPA may need to give careful consideration not only to the event but also the risk profile of the patient and the context within which the event occurred. It is essential to ensure factors used to trigger a financial penalty directly pertain to the performance of the service provider as distinct from the risk profile of vulnerable patients.

APHA also advocates strongly that to be successful in improving the quality and safety of clinical care a pricing framework should not solely rely on punitive measures.

APHA has not commented on a range of other issues raised in the consultation paper however we look forward to the opportunity of responding to the specific consultations flagged in the Consultation Paper on the Pricing Framework for Australian Public hospital Services 2018-19.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Roth', written over the text 'Yours sincerely'.

Michael Roth
CHIEF EXECUTIVE OFFICER
21 August 2017