ACT Government
Health

Office of the Director-General

Mr James Downie
Chief Executive Officer
Independent Hospital Pricing Authority
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Dear Mr Downie

IHPA Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2018-19

I am writing in relation to the Independent Hospital Pricing Authority (IHPA) Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2018-19 (the Consultation Paper) that was publicly released on IHPA's website on 17 July 2017, for stakeholder comment.

To this end, I am pleased to provide you with the ACT Government Health Directorate submission on the Consultation Paper (see enclosed), which details ACT response to the questions posed in the Consultation Paper.

The ACT is committed to continued collaboration with IHPA to progress the national health reform agenda, as it evolves and changes over time. As reflected in the Consultation Paper, reforms concerning pricing and funding for patient safety and quality are a key component of IHPA's work program. The ACT will continue to work with IHPA and other stakeholders in the development and implementation of measures in this regard.

Thank you for providing ACT Government Health Directorate with the opportunity to comment on the Consultation Paper.

Yours sincerely

Nicole Feely
Director-General
ACT Health
15th August 2017

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Submission to the Independent Hospital Pricing Authority

IHPA Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2018-19

Background

The Independent Hospital Pricing Authority (IHPA) is seeking stakeholder comment on its Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2018-19 (the Consultation Paper). State and territory governments, the Commonwealth Government and other stakeholder organisations have been invited to provide their feedback on the Consultation Paper which was publicly released on the IHPA website on 17 July 2017. Submissions to IHPA are due by 5pm Thursday, 17 August 2017.

Following the public consultation round, IHPA intends to use the input from this process to inform its development of the Pricing Framework for Australian Public Hospital Services 2018-19. This Pricing Framework will encompass the key principles, scope and approaches adopted by IHPA in the drafting of the 2018-19 National Efficient Price and National Efficient Cost Determinations.

ACT Government Health Directorate Position

ACT Health has carefully considered the Consultation Paper and is pleased to be able to provide IHPA with its views on the issues canvassed in the Consultation Paper.

The following pages present those ACT Health views by way of providing responses to the consultation questions posed in the Consultation Paper.

Australian Refined Diagnosis Related Groups classification

Consultation question

What additional areas should IHPA consider in developing Version 10 of the Australian Refined Diagnosis Related Groups (AR-DRG) classification system?

ACT response

The ACT supports ongoing improvements to the AR-DRG classification system based on an incremental approach. These enhancements should be premised on improving clinical relevance, among other things. Classification development should also take note of the power of predictability of patient costs which is important from a funding model perspective so that costs and funding are aligned as best as possible.

Consultation question

Do you support the phasing out of older versions of the Australian Refined Diagnosis Related Groups classification system?

What time frame would be sufficient for the health care sector to transition to the more recent versions of the classification?

ACT response

The ACT supports the phasing out of older versions of the Australian Refined Diagnosis Related Groups classification system. Having said this, it is our preference that IHPA maintains support for the last two previous versions of the classification.

The second question is more relevant for the private hospital sector than the public hospital sector. The ACT has to abide by the classification version that is aligned with national activity based funding.

It would be beneficial however for the overall health sector to have both the public and private hospitals using the same AR-DRG classification version in any given year.

Multidisciplinary case conferences where the patient is not present

Consultation question

Do you support the proposal to shadow price non-admitted multidisciplinary case conferences where the patient is not present for NEP18?

ACT response

There has been strong stakeholder support for counting, costing and classifying non-admitted multidisciplinary case conferences where the patient is not present. It

represents an emerging trend in the health care sector. IHPA needs to be responsive to such changes to ensure that hospitals receive appropriate levels of funding for the overall care of patients even if they are not present.

The ACT supports the proposal to shadow price non-admitted multidisciplinary case conferences where the patient is not present, for 2018-19.

Home ventilation

Consultation question
Do you support investigation of the creation of multiple classes in the classification for home ventilation?

ACT response
The ACT supports the proposal to investigate creation of multiple classes in the Tier 2 non-admitted classification to account for cost variations between patients requiring overnight and continuous ventilation.

Further differentiation on the basis of age (paediatric versus adult home ventilation) in line with discussion under section 6.2.2 of the Consultation paper could also be investigated.

Australian Mental Health Care Classification (AMHCC)

Consultation question
What other issues should be considered in the development of Version 2 of the Australian Mental Health Care Classification (AMHCC)?

ACT response
The ACT supports further work recommended from findings of the recently released Mental Health Phase of Care Inter-rater Reliability Study Final Report. It is important that the classification is tested in various ways to ensure that it can be used with full confidence.

The ACT strongly recommends that child and adolescent services be considered for inclusion in the activity based funding scope and in the development AMHCC Version 2. Further work exploring treatment of forensic mental health services in the classification would also be useful.

As the AMHCC currently is a ' work-in-progress' with all components at varying degrees of exploration and development, further discussions with stakeholders could be considered to

determine what the key issues and priorities are in developing a comprehensive and robust classification.

Importantly, the AMHCC needs to be seen to have value not only as a costing tool under the IHPA model but also as a taxonomy for classifying and reporting mental health activity broadly. This may encourage uptake of the classification. The infrastructure requirements associated with implementing AMHCC should also be recognised.

Technical improvements – National Efficient Price

Consultation question
Should IHPA consider any further technical improvements to the pricing model used to determine the National Efficient Price for 2018-19?

ACT response
The ACT would like to see stability maintained in the IHPA pricing model. Too many changes too quickly could jeopardise the utility of the pricing model and its relevance, especially when comparing hospital performances across years.

Adjustments to the National Efficient Price (NEP)

Consultation questions
What are the priority areas for IHPA to consider when evaluating adjustments to NEP18? What patient-based factors would provide the basis for these or other adjustments? Please provide supporting evidence, where available.

ACT response
The IHPA pricing and funding model has been in place over a number of years and has undergone a number of refinements in relation to NEP adjustments.

As is the case each year, jurisdictions have made submissions to IHPA in 2017 under the various consultation processes such as the *Assessment of Legitimate and Unavoidable Cost Variations Framework* and the *Impact of New Health Technology Framework.*

National Efficient Cost - Transferring services from ABF hospitals to block funded hospitals

Consultation questions
Should IHPA ensure that there is no financial penalty due to the transfer of public hospital services from ABF hospitals to block funded hospitals?
If so, how should this be carried out?

ACT response

A general comment is that unintended consequences of any funding model should be identified and addressed as they provide perverse incentives. In this context, funding disincentives should not exist in the transfer of services from ABF to block funded hospitals. Similarly, shifting services from block funded to ABF hospitals should not be driven by the funding impact.

The ACT supports IHPA's proposal to investigate whether there is a financial impact based on transferring services from ABF to block funded hospitals and whether the methodology for calculating efficient cost of block funded hospitals should be amended to address this issue. Data from specific services where the transfer of services has occurred or may potentially occur could be examined to help to inform pricing and funding decisions in this regard.

Funding of Residential mental health care services

Consultation question

Do you support IHPA's proposal to continue to block fund residential mental health care in future years?

ACT response

Considerable work is required to reach national agreement on definitions, service types and scope in relation to residential mental health care services. Given this situation, the ACT supports the proposal to continue to block fund these services pending development of a robust national counting, costing and classification system.

Bundled pricing for maternity care

Consultation questions

Do you support the proposed bundled pricing model for maternity care?
Do you agree with IHPA's assessment of the preconditions to bundled pricing?
Do you support investigation of whether the Individual Healthcare Identifier or another unique patient identifier could be included in IHPA's national data sets?

ACT response

The ACT supports the bundled pricing model for maternity care in principle but notes that further analysis would need to be done in conjunction with clinicians and clinical services before its implementation could be agreed.

The ACT also agrees with IHPA's assessment of the preconditions to bundled pricing and notes that for the ACT, maternity care is likely to include cross border patients who may use services across ACT and NSW in both non-admitted and admitted settings. The ability to identify such patients and services utilised is key in designing a robust bundled maternity care pricing and funding model. The ACT endorses the proposal to investigate whether the Individual Healthcare Identifier or another unique patient identifier could be included in IHPA's national data sets.

Innovative Funding Models

Consultation question

What issues should IHPA consider when examining innovative funding model proposals from jurisdictions?

Should IHPA consider new models of value-based care, and what foundations are needed to facilitate this?

ACT response

IHPA needs to consider the extent to which innovative funding model proposals align with the broader policy objectives of a more sustainable, integrated and safer health care system.

IHPA could examine such innovative models of care to explore the potential to develop bundled pricing models. Patient choice, however, needs to be taken into account in developing such funding models.

Value-based models of care are increasingly gaining attention as they are patient-centred and aim at promoting quality of care. The Addendum to the National Health Reform Agreement, effective 1 July 2017, has articulated a shared commitment to develop and implement reforms to improve health outcomes for patients and decrease potentially avoidable demand for public hospital services. This aim closely aligns with the principles of value-based care.

ACT supports IHPA's consideration of new models of value-based care and proposes reviewing international literature in this area to identify learnings and foundations needed to facilitate this approach. Foundations to value-based care include, among others, the ability to identify "at risk" patients, a data sharing capacity across providers supported by appropriate technology, identification of gaps in patient care, closer collaboration between service providers, processes to streamline and deliver co-ordinated care and better engagement with patients and consumers.

Pricing and funding for safety and quality – hospital acquired complications (HACs)

Consultation questions

Do you support the proposed risk-adjustment model for HACs? Are there other factors that IHPA should assess for inclusion in the model?

Do you agree that HACs third and fourth degree perineal lacerations during delivery and neonatal birth trauma be excluded from any funding adjustment?

ACT response

The ACT recognises that IHPA has engaged with various stakeholders in developing the proposed HACs risk-adjustment model. As such, ACT is supportive of the proposed risk-adjustment model for HACs. Evaluation of the model post-implementation would be important to assess its performance on the ground and identify areas for further refinement. Also, IHPA could consider making definitions of HACs clearer. For example, is venous thromboembolism treated as a HAC where this has developed in spite of prophylactic measures being given?

The ACT supports exclusion of third and fourth degree perineal lacerations during delivery and neonatal birth trauma from any HACs adjustment in 2018-19, due to current inability to derive robust adjustments based on small number of cases present in the data. The ACT proposes further investigation and a review of international literature to explore a way forward in the pricing and funding of these services under a safety and quality regime.

Pricing and funding for safety and quality – avoidable hospital readmissions

Consultation question

What pricing and funding models should be considered by IHPA for avoidable hospital readmissions?

ACT response

The ACT prefers to comment on pricing and funding models that could be considered once a list of clinical conditions and applicable definitions in relation to avoidable hospital readmissions is available. An examination of readmissions based on the final list will help inform potential pricing and funding approaches.

A broad comment in relation to pricing and funding avoidable readmissions is that these reforms should not be rushed through to meet an earlier implementation date (2018-19) and limit thorough engagement with stakeholders, development and testing of a proposed model. Consideration could be given to shadow implementation of a proposed

model in 2018-19 with a tentative implementation date of 1 July 2019 based on findings of the shadow implementation.

Pricing and funding for safety and quality – Criteria for assessing pricing and funding options

Consultation question

Do you agree with the use of these assessment criteria to evaluate the relative merit of different approaches to pricing and funding adjustments for avoidable hospital readmissions? Are there any other criteria that should be considered?

ACT response

The ACT supports the use of the assessment criteria identified in relation to pricing and funding adjustments for avoidable hospital readmissions. However, IHPA could consider the scope to provide further clarification of these criteria.

For instance, "*Preventability*" may need to be clarified to define the level at which the preventative action occurs. To illustrate this point, if a patient is readmitted due to lack of compliance with their care plan post-discharge, this is a different scenario from readmission due to the hospital's failure to provide adequate care.