

Submission to the Independent Hospital Pricing Authority

IHPA Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2019-20

Background

The Independent Hospital Pricing Authority (IHPA) is seeking stakeholder comment on its Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2019-20 (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 12 June 2018. Submissions to the IHPA are due by 5pm Thursday, 12 July 2018.

Following the public consultation round, the IHPA intends to use the input from this process to inform its development of the Pricing Framework for Australian Public Hospital Services 2019-20. This Pricing Framework will encompass the key principles, scope and approaches adopted by IHPA in the drafting of the National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2019-20.

As with previous years, it is anticipated that the IHPA will consult jurisdictions on the draft versions of the Pricing Framework and the NEP and NEC Determinations later in 2018. Additionally, Health Ministers will also have an opportunity to provide comment on the final draft versions of these documents prior to their publication, as per clause B7 of the National Health Reform Agreement.

ACT Government Health Directorate Position

ACT Health has carefully considered the Consultation Paper and is pleased to be able to provide the 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.

Scope of public hospital services

Consultation question

- What changes, if any, should be made to the criteria and interpretive guidelines in the *Annual Review of the General List of In-Scope Public Hospital Services* policy?

ACT Health has no requests or suggestions for amendments to the criteria and interpretative guidelines in the *Annual Review of the General List of In-Scope Public Hospital Services* policy. It would be beneficial for the IHPA to undertake a review to ensure national consistency in relation to the eligibility of Commonwealth funding for public hospital services.

Classifications used by IHPA to describe public hospital services

Consultation question

- How could 'Australian Coding Standard 0002 *Additional Diagnoses*' be amended to better clarify what is deemed a significant condition for code assignment?

The current ICD Technical Group has prepared a paper in relation to the known national variances in additional diagnosis data collection. The paper proposes amendments to the Australian Coding Standard 0002 that would provide improved guidance and clarification on what constitutes a significant condition and therefore will warrant an additional diagnosis code assignment. It would be beneficial for complimentary guidance and education material to be developed for coders that includes examples on what is and isn't a significant condition.

Consultation questions

- Do you support the proposed timeframe to phase out support for AR-DRG classification versions prior to AR-DRG Version 6.X from 1 July 2019?
- Do you support the current biennial AR-DRG development cycle. If not, what is a more appropriate development cycle?

ACT Health supports the phasing out of the IHPA's support for AR-DRG versions 6.X and earlier from 1 July 2019.

Given the maturity of the AR-DRG classification system, ACT Health questions the need to continue with an official biennial development cycle. The administrative burden associated with updating systems and reporting would be reduced if a slower development cycle is introduced. A slower development cycle would also improve the comparability of funding calculation methodologies and time series reporting.

ACT Health supports in-principle a three-yearly development cycle, pending targeted consultation with groups like the IHPA's DRG Technical Group, Clinical Advisory Committee and Jurisdictional Advisory Committee. If a longer cycle is implemented, the IHPA may wish to consider targeted smaller revisions to reflect material changes in current clinical practice.

Consultation question

- What areas should be considered in developing Version 5 of the Australian National Subacute and Non-Acute Patient classification?

ACT Health supports the IHPA's development and implementation of Version 5 of the Australian National Subacute and Non-Acute Patient classification in consultation with jurisdictions. ACT Health does not have any further suggestions at this stage for areas the IHPA should consider in developing Version 5 of the Australian National Subacute and Non-Acute Patient classification.

Data collection

Consultation questions

- Should access to the public hospital data held by IHPA be widened? If so, who should have access?
- What analysis using public hospital data should IHPA publish, if any

ACT Health would be supportive of public access to the National Benchmarking Portal, pending an in-depth review and approval by the IHPA's Jurisdictional Advisory Committee. To facilitate this, ACT Health would request that the IHPA and the Australian Institute of Health and Welfare work together to harmonise and combine efforts associated with their data holdings, publications and other reports, and public access to data collections.

Setting the National Efficient Price for activity based funded public hospitals

Consultation questions

- What are the advantages and disadvantages of changing the geographical classification system used by IHPA?

ACT Health is supportive of IHPA exploring, in consultation with jurisdictions, alternative geographical classification systems. In exploring alternative geographical classification systems the IHPA may wish to consider the impact and comparability of using a different geographical classification to that used by other reporting agencies including the Australian Institute of Health and Welfare and the Australian Bureau of Statistics.

As the ACT only has one Local Hospital Network that is unlikely to be affected by changes in the geographical classification system selected by the IHPA, the ACT has no view on the advantages or disadvantages of changing the geographical classification system.

Consultation question

- What areas of the National Pricing Model should be considered as a priority in undertaking the fundamental review?

ACT Health would like the IHPA to address the following in the fundamental review of the National Pricing Model:

- a time series comparison of price and cost for each jurisdiction.
- a qualitative and quantitative assessment of the efficiencies the National Efficient Price has delivered in each jurisdiction.
- an assessment of the benefits and impacts at a jurisdictional level of setting a true efficient price when compared against the current methodology of setting the price at a national average.
- consideration of adjustments or varying prices to account for differing hospital sizes and varying economic conditions.
- a detailed review of the stabilisation policy with a particular focus on whether the right criteria is used. For example, an assessment on the merits of stabilising low volume, high cost services rather than high volume, variable cost services.

Consultation questions

- Should IHPA consider any further technical improvements to the pricing model used to determine the National Efficient Price for 2019-20?
- What are the priority areas for IHPA to consider when evaluating adjustments to NEP19?
- What patient-based factors would provide the basis for these or other adjustments? Please provide supporting evidence, where available.

To date, the IHPA pricing model has disadvantaged the ACT. The IHPA methodology of using the national average cost to set the National Efficient Price has meant that Commonwealth contribution per service has been lower for ACT public hospital services as a proportion of the actual ACT cost of care when compared to other jurisdictions.

There are a number of factors beyond the ACT Government's control that contribute to the higher average cost in the ACT. These include diseconomies of scale (hospital throughput),

legacy defined superannuation costs, and lack of scale and competition due to two public hospitals in the ACT.

The IHPA should consider adjustments to the National Efficient Price to address the current disconnect between cost and price for smaller jurisdictions. This could include a review and amendment to the grouping of peer hospitals.

Consultation questions

- Do you support price harmonisation for the potentially similar same-day services which are discussed above?
- What other services, which can be provided in different settings of care, could benefit from price harmonisation?

ACT Health supports the harmonisation of prices for similar same-day services across different settings of care where the cost to deliver the service is comparable.

Consultation question

- When should IHPA implement a shadow period for ABF classification systems and the National Pricing Model?

The IHPA should implement a shadow period for any change to ABF classification systems or the National Pricing Model that would need to be back-cast for the efficient growth funding formula or that may have a financial impact. An assessment at the time of implementation should be made and agreed through the IHPA Jurisdictional Advisory Committee.

Setting the National Efficient Price for private patients in public hospitals

Consultation question

- Do you support the proposal to phase out the private patient correction factor for NEP20?

ACT Health supports the phasing out of the private patient correction factor following a review of the 2017-18 National Hospital Cost Data Collection data to ensure the accuracy and national consistency in the implementation of Version 4 of the Australian Hospital Patient Costing Standards.

Setting the National Efficient Cost

Consultation questions

- What other models might IHPA consider in determining funding for small rural and remote hospitals?
- What cost drivers should IHPA investigate for rural and remote hospitals for potential inclusion as adjustments in the NEC?

The ACT does not have any IHPA classified small, rural or remote hospitals. As such ACT Health does not have any further comments on these consultation questions.

Innovative Funding Models

Consultation question

- What countries have healthcare purchasing systems which can offer value in the Australian context and should be considered as part of the global horizon scan?

PwC Australia has written a paper, 'Funding for Value', that discusses how Commonwealth and State governments can increase the financial sustainability and quality of healthcare by evolving funding models and making other complementary changes to focus more on value. The paper analyses and discusses the approaches that are being implemented effectively in the United States, Germany and other countries. ACT Health is of the view that this paper provides a good starting point for countries to be considered as part of the global horizon scan.

Pricing and funding for safety and quality

Consultation questions

- Do you agree with the proposal that pricing and funding models for avoidable hospital readmissions should be based on readmissions within the same Local Hospital Network (either to the same hospital or to another hospital within the same Local Hospital Network)?
- Do you prefer an alternative scope for measuring avoidable hospital readmissions and, if so, how would this be measured?
- What evidence or other factors have informed your views?

ACT Health agrees with the proposal that pricing and funding models for avoidable hospital readmissions should be based on readmissions within the same Local Hospital Network.

ACT Health is supportive of the work undertaken by the Australian Commission on Safety and Quality in Health Care to develop a list of conditions considered to be avoidable hospital readmissions.

Consultation questions

- What are the advantages and disadvantages of use of the Medicare PIN and/or the Individual Healthcare Identifier for the purposes of pricing and funding of hospital readmissions?
- What strategies can be used to overcome existing disadvantages for each of these approaches?

ACT Health is supportive in-principle to the use of the Individual Healthcare Identifier for the purposes of pricing and funding of hospital services, particularly given the broader advantages that collection of the Individual Healthcare Identifier provides.

Consultation question

- Do you support the proposal to limit the measurement of readmissions to those occurring within the same financial year?

ACT Health is supportive of the proposal to limit the measurement of readmissions to those occurring within the same financial year based on the IHPA's assessment that funding adjustments across financial years does not meet the 'transparency' or 'ease of implementation' criteria.

Consultation questions

- Do you agree with the proposal to include funding options, but not pricing options, for avoidable hospital readmissions?
- What patient-specific factors should be examined in a risk-adjustment approach to avoidable hospital readmissions?

For consistency ACT Health is supportive of the IHPA developing funding options, rather than pricing options, for avoidable hospital readmissions and using the same risk adjustment methodology used to develop the funding options for hospital acquired complications.

Consultation questions

- What are the advantages and disadvantages of Option 1?
- Do you agree with IHPA's assessment of this option?
- What are the advantages and disadvantages of Option 2?
- Do you agree with IHPA's assessment of this option?
- What are the advantages and disadvantages of Option 3?
- Should benchmarks for avoidable hospital readmissions be measured and calculated at the level of individual hospitals or at the level of Local Hospital Networks?
- How should the threshold be set for 'acceptable' rates of avoidable hospital readmissions? How should the funding adjustments be determined for 'excess' rates of avoidable hospital readmissions?
- Do you agree with IHPA's assessment of this option?
- Do you agree with IHPA's implementation pathway?
- For what period of time should the three proposed funding options be shadowed?
- Do you support an incremental approach to introducing funding adjustments for avoidable hospital readmissions based on one or two clinical conditions from the list of conditions considered to be avoidable hospital readmissions?
- What other options do you recommend for the implementation of a funding model for avoidable readmissions?

Before agreeing to the IHPA's assessment of the options, ACT Health requires further information and data on:

- the financial impacts assessment at the hospital and Local Hospital Network level of each option; and
- how an incremental approach to introducing the funding adjustments would work in practice and the financial impacts, including back-casting issues, of implementing the funding adjustments in an incremental approach.

ACT Health would encourage the IHPA to continue to work through its Technical and Jurisdictional Advisory Committees to ensure there is a shared understanding of the options and the IHPA's assessment of the options is supported by jurisdictions.

ACT Health is supportive of shadowing the three options over a 24 month period from 1 July 2019.

Consultation question

- What questions regarding the safety and quality funding reforms should be included in the Evaluation Framework?

ACT Health would like the evaluation to focus on:

- the effectiveness of the pricing and funding for safety and quality reforms.
- the interaction between the pricing and funding for safety and quality reforms and other non-punitive reforms. This could include an assessment of whether punitive or non-punitive measures are more effective for improving safety and quality outcomes.
- an assessment of best practice nationally in relation to the implementation of safety and quality reforms.