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

NSW Health Submission

This submission provides comment on the Consultation Paper prepared by the Independent Hospital Pricing Authority (IHPA) regarding the Pricing Framework for Australian Public Hospital Services 2019-20.

Chapter 4 Classifications used by IHPA to describe public hospital services

4.2 Australian Refined Diagnosis Related Groups classification

Consultation Questions:

- How could 'Australian Coding Standard 0002 Additional Diagnoses' be amended to better clarify what is deemed a significant condition for code assignment?
- Do you support the proposed timeframe to phase 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?

NSW Health supports the tightening of the Australian Coding Standard 0002 Additional Diagnoses on the basis that the current definition enables too much subjectivity by the coder. The Australian Coding Standard 0002 Additional Diagnoses should be used when there is clinical significance. The standard could be better amended to clarify what is deemed a significant condition, such as:

- There is evidence of a plan of care in the notes for the condition;
- The condition delays a patient's discharge;
- The condition requires a diagnostic or surgical procedure;
- The condition causes a variation from a patient's treatment plan in response to a change in the patient's condition;
- There is evidence of greater routine care (taking into consideration a patient's complexity); and
- If the clinician has documents that the condition is significant in care.

If a coder is unable to judge the significance of a condition based on the documentation, they should be permitted to query the clinician to see if they deem the condition significant.

Any revisions to the standard should be made to clarify the standard, not to reduce the number of additional diagnoses assigned as this could lead to significant conditions not being captured.

NSW Health supports the IHPA's proposal to phase out older versions of the Australian Refined Diagnosis Related Groups (AR-DRGs). This will support national consistency and facilitate more feasible data comparison across years.

NSW is of the view that a minimum 12-month notice period would be sufficient for jurisdictions and the broader health sector to phase out older versions of the classification.

NSW supports the biennial development of the AR-DRG classification on the basis that the developments reflect innovation and emerging services and models of care. With the speed of change technologies, DRGs need to be monitored and adjusted to include the varying cost of their implementation.

However, it is important to maintain the stability of the AR-DRG classification to support ease of implementation across jurisdictions. This can be achieved by limiting methodological changes to the classification (for example, limiting the scale of changes seen between Versions 7 and 8 of the classification) and ensuring an appropriate impact assessment is conducted prior to the implementation of any system changes and modifications.

Recommendations:

- Tighten the Coding Standard 0002 Additional Diagnoses to reduce subjectivity.
- Phase out older versions of the AR-DRG classification on a 12 month notice period.
- Maintain the biennial development cycle of the classification.

Consultation Question:

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

When considering the development of Version 5 of the AN-SNAP classification, NSW Health recommends that the IHPA include the pricing of paediatric palliative care services. NSW Health notes that the IHPA has retained per diem prices for paediatric palliative care services. NSW Health is of the view that there is enough cost data to develop an ABF pricing system for these services.

Regarding the use of assessment tools, NSW Health recommends that the IHPA consider pricing the use of the WeeFIM® paediatric rehabilitation assessment tool for paediatric patients, as well as the Rowland Universal Dementia Assessment Scale (RUDAS) for Culturally and Linguistically Diverse Patients. These tools have been successful in improving quality of care for AN-SNAP patients however the significant cost of maintaining adequate training is prohibitive.

NSW Health supports the review of the psychogeriatric class within SNAP to identify the interface between the current psychogeriatric and GEM classes and the mental health classes. Significant clinical and service consultation is required before any determination is made on whether to remove this class from the SNAP classification. NSW Health will continue to work with the IHPA in the IHPA SNAP working group on this analysis.

Recommendations:

- Include the pricing for paediatric palliative care services.
- Consider the cost of training for assessment tools.
- Review the psychogeriatric class within SNAP and the interface with mental health classes.

4.4.1 Refinement of the Tier 2 Non-Admitted Services Classification

With regard to the development of a 'first service event' indicator in the non-admitted data collection, NSW Health recommends that the IHPA investigate the methodology used to distinguish the first condition of service compared to other clinical conditions. NSW Health recommends the IHPA establish clear business rules in relation to what constitutes a first service event. For example, the first service event could be a patient's first admission to hospital; first visit with a multidisciplinary team; first identification of a particular condition; or the first visit to a specific clinician.

Recommendation:

- Develop business rules for 'first service event'.

4.4.2 Home ventilation services

NSW Health supports the IHPA's intention to block fund home ventilation services until sufficient cost data has been collected to develop appropriate price weights to return the pricing of these services to ABF.

Recommendation:

- Continue to block fund home ventilation services in 2019-20.

4.4.3 Multidisciplinary case conferences where the patient is not present

NSW Health supports the IHPA's shadow pricing of these services and recommends that further work is done to establish a flag in the cost data collection to identify these case conferences within the electronic medical record system.

NSW Health seeks clarification from the IHPA as to whether nursing is included in the MDCC class.

Recommendations:

- Establish a flag in the cost data collection system to enable the identification of MDCCs.
- Clarify whether nursing is included in the MDCC class.

4.6 Teaching, training and research

NSW Health will be implementing Version 4 of the NHCDC Costing Standards in 2018-19 and will work with the IHPA on an implementation schedule for cost data submission. Full implementation of the costing standards for teaching, training and research can be expected by 2019-20.

4.7.2 Consultation liaison psychiatry

NSW Health supports the broadening of the scope of consultation liaison services to capture all instances where these services are delivered. Currently in NSW, there are instances where consultation liaison psychiatry services are provided by Drug and Alcohol Clinical Nurse Consultants to admitted patients; however, this activity is only captured by coders within the inpatient stay and the service is not being captured once the patient transitions from acute to non-admitted care.

Recommendation:

- Review the scope of consultation liaison services.

Chapter 5 Data Collection

5.1.2 Individual Healthcare Identifier

NSW Health supports the introduction of the Individual Healthcare Identifier (IHI) in 2019-20 to support the identification of service delivery. NSW Health recognises the significant benefit that a linked patient data set would provide to the health system.

NSW Health queries what the privacy implications would be if a patient opts out of the My Health Record and the hospital continues to use the IHI to link a patient's health information.

NSW Health also recommends that an assessment of data quality is undertaken prior to the use of the IHI.

Recommendation:

- Undertake data quality assessment of the IHI prior to implementation.

5.2 National Hospital Cost Data Collection

NSW Health will be implementing Version 4 of the NHCDC Costing Standards in 2018-19 and will work with the IHPA on an implementation schedule for cost data submission. Full implementation of the costing standards can be expected by 2019-20.

5.3.2 Broadening access to data

Consultation Question:

- 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?

NSW is of the view that only health departments should retain access to the National Benchmarking Portal. As agreed by all jurisdictions, access to the data in the National Benchmarking Portal is limited to those using health department IT systems. Based on this agreed principle, NSW does not agree to allow access to the broader public.

Under clause B8 of the National Health Reform Agreement, the IHPA may undertake data collection and research, including the commissioning of others to undertake specified studies and research. IHPA should maintain its role as an independent pricing authority and its publications should primarily be in relation to researching classification, counting, costing

and pricing methods and systems. NSW recommends caution in publishing analysis that might result in retrospective payment adjustments given the current uncertainty and instability of the national health funding system.

NSW Health also raises for IHPA's consideration the role in the Australian Institute for Health and Welfare (AIHW) in providing access to relevant public hospital activity data. The AIHW is the data custodian for a number of data sets that the IHPA has access to and to which researchers are seeking access. It is important for the IHPA and the AIHW to work together to ensure that all data requests are directed to the data custodian for consideration and release.

Recommendations:

- Do not broaden the scope of access to the National Benchmark Portal.
- Do not publish additional analysis at this time.

Chapter 6 Setting the National Efficient Price for activity based funded public hospitals

With regard to the development of NEP19, NSW Health recommends that the IHPA consider the implication of setting NEP19 using a data set from 2016-17 that has not been reconciled by the Administrator of the National Health Funding Pool. NSW Health queries whether the IHPA will develop an interim pricing framework in the absence of a stable data set for 2016-17 due to delays in the Administrator's processes?

Recommendation:

- Consider the implication of setting NEP19 using a data set from 2016-17 that has not been reconciled by the Administrator of the National Health Funding Pool

6.1.3 Alternative geographical classification systems

Consultation Question:

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

With regard to the Northern Territory's proposed alternative approach for determining patient and hospital remoteness, NSW recommends that the IHPA continue with the existing geographical classification system and undertake a separate analysis to assess whether the method of determining patient and hospital remoteness based on population density and spatial difference is a better fit for the NEP model.

NSW Health is of the view that all adjustments should be applicable to all jurisdictions and not favour one particular state or territory. The IHPA should review the implementation of such an adjustment to ensure that all jurisdictions would benefit from its introduction.

Recommendations:

- Continue with the existing geographical classification system.
- Review the benefits of a jurisdiction-specific adjustment on all other jurisdictions.

6.1.4 Fundamental review of the NEP

Consultation Questions:

- What areas of the National Pricing Model should be considered as a priority in undertaking the fundamental review?
- Should IHPA consider any further technical improvements to the pricing model used to determine the National Efficient Price for 2019-20?

NSW Health is of the view that it is timely to review existing policies and processes to ensure that the cost of public hospital services reflects and meets the contemporary needs of the health system and accounts for changes in service delivery, new models of care and emerging technology.

The cost of health care is increasing year on year however, the NEP indexation rate over the course of the last three Determinations has not seen significant change to reflect this. NSW Health reiterates the importance of reviewing the indexation methodology to ensure that costs are adequately reflected in the NEP model.

NSW Health recommends that the IHPA prioritise the calculation of the reference cost in the fundamental review. The reference cost was initially set based on a group of DRGs using 2009-10 cost data when Activity Based Funding was implemented nationally in 2012-13 and should be updated with recent cost data. NSW Health requests that the IHPA provide jurisdictions with background and calculation information on the development of the initial reference cost for information and analysis.

Recommendations:

- Retain IHPA's current approach for determining patient and hospital remoteness for NEP19.
- Prioritise the review of the NEP indexation rate and calculation of the reference cost.

6.2 Adjustments to the NEP

Consultation Questions:

- 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.
- 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?

With regard to priority areas for IHPA to consider when evaluating adjustments to NEP19, NSW Health recommends:

- Reviewing the scope and price weights applied to the mental health parent and baby units, which provide a dual treatment focus on mentally ill parent and infant health; and
- Review the application of all admitted acute adjustments for SNAP patients, noting that only some admitted acute adjustments currently apply.

Patient Remoteness Adjustment

NSW Health supports the introduction of Patient Remoteness Area adjustment in 2018-19. NSW recommends that IHPA undertake further analysis to inform NEP19 as this adjustment does not seem to have recognised the patient transfer costs in rural areas.

Intensive Care Adjustment (ICU)

NSW Health recommends that IHPA prioritise the review of the Intensive Care Unit (ICU) Adjustment for NEP19. ICU models of care increasingly use non-invasive intervention methods, and extend the ICU's traditional reach into acute care wards. This outreach approach is not supported by the current ICU threshold requirements. NSW Health requests that IHPA undertake a further review of the ICU pricing methodology and strongly recommends that to maintain stability in sites that are on the fringe of ICU eligibility, IHPA should adopt the tolerance of one standard deviation from the current threshold.

In line with IHPA's pricing guidelines to foster clinical innovation, NSW Health recommends that IHPA consider using patient based factors, such as clinical measures, to determine the ICU Adjustment. This could include the testing of the appropriateness of using APACHE scores as well as the inclusion of non-invasive mechanical ventilation. NSW also recommends that IHPA further investigate alternative data sources to test new approaches to the ICU Adjustment, such as registries data, in developing NEP19.

Culturally and Linguistically Diverse (CALD) Patient Adjustment

NSW Health recommends that the Activity Based Funding Data Set Specifications (ABF DSS) are amended to include the introduction of an 'interpreter services flag'. This would assist jurisdictions to identify CALD patients and determine the true cost of service delivery. This would provide an evidence base that could be used in support of implementing a future pricing adjustment.

Recommendations:

- Review the scope and price weights of mental health parent and baby units.
- Review the application of adjustments to SNAP patients.
- Implement Patient Remoteness Area adjustment for NEP19 but review patient transfer costs in rural areas.
- Review appropriateness of the ICU adjustment on non-invasive treatments and use in acute care wards.
- Consider implementation of a CALD flag to record activity and cost of these patients for possible future implementation of an adjustment.

6.2.2 Adjustments to be evaluated for NEP19

NSW Health would support the harmonisation of price weights across care settings if there was best practice evidence available to support its use. Effective price harmonisation would remove boundaries between the different streams (such as between the admitted and non-admitted care settings), particularly for episodes of care that cross over multiple care settings.

NSW Health would support the IHPA's investigation into the price harmonisation for:

- Same day models for rehabilitation compared to outpatient models for rehabilitation;
- Non-admitted and subacute psychogeriatric same day services;
- Cataract surgery across the admitted and non-admitted settings;
- Gastrointestinal Endoscopy; and
- Renal dialysis, chemotherapy and non-chemotherapy infusions.

Recommendations:

- Investigate harmonisation of price weights for same day services for NEP19.
- Review evidence of best practice available to support broader harmonisation in future NEPs.

6.3 Shadow implementation periods

NSW recommends that the IHPA implement a shadow period of at least 12 months before introducing any new ABF classification system or changes to the National Pricing Model. NSW is of the view that a shadow period should be implemented for the following scenarios:

- When data robustness or volume is not enough to support the implementation;
- To build a year of baseline data when there is no historical data;
- To trial new models of care;
- To implement new data elements; and
- To trial potential changes in clinical practice.

Recommendation:

- Shadow implement any new classification or change to the national pricing model for a minimum of 12 months.

Chapter 7 Setting the National Efficient Price for private patients in public hospitals

7.2.1 Phasing out the private patient correction factor

NSW does not support the phasing out of the private patient correction factor in 2019-20. NSW recommends that IHPA retains the correction factor until the Australian Hospital Patient Costing Standards (AHPCS) Version 4 is fully implemented across jurisdictions. Without full implementation of the standards, private patient costs will not be consistently captured across all public hospitals until NEP20.

Recommendation:

- Retain the correction factor until the Australian Hospital Patient Costing Standards Version 4 is fully implemented.

Chapter 11 Pricing and Funding for Safety and Quality

NSW Health is committed to improving safety and quality in health care and is supportive of the IHPA's work to develop pricing and funding approaches in line with the Addendum to the National Health Reform Agreement.

NSW Health is of the view that consideration should be given to a pricing or funding approach that incentivises improved health outcomes and does not only penalise hospital funding resources for poor quality care. It is important that an approach sends the right signal to clinicians and health managers to support behavioural change. On this basis, NSW Health is supportive of the IHPA's 'slow and steady' approach to developing a funding option for avoidable readmissions.

NSW Health supports the IHPA's intention to shadow implement a number of options to develop sufficient baseline data for analysis, and to enable a review of the materiality of reducing avoidable readmissions in the promotion of improved safety and quality in health care. NSW Health recommends that the IHPA consider reporting back to Australian Health Ministers' Advisory Council and COAG Health Council once the shadow implementation period has concluded to confirm that the approach for avoidable readmissions has achieved what was intended by all Health Ministers.

NSW Health supports the IHPA's ongoing work with the Australian Commission for Safety and Quality in Health Care (the Commission) to develop an appropriate definition for an avoidable readmission.

11.4.4 Approach to measurement of avoidable hospital readmissions

Readmission intervals

NSW Health notes that the Australian Health Ministers' Advisory Council approved the Commission's list of avoidable hospital readmissions and their readmission intervals, which were developed following significant clinical consultation. Prior to the implementation of a funding approach for avoidable readmissions, further information regarding how the readmission intervals were developed would be useful for future discussions between system managers and local clinicians.

Readmission to the same hospital or other hospital

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?

In the absence of a linked data set, NSW Health supports the proposal that a model for avoidable readmissions is based on readmissions to the same hospital. This approach creates transparency in the model and facilitates hospitals establishing local real time reporting mechanisms.

The ability to flag readmissions as planned or unplanned will be critical in the implementation of a funding model for avoidable readmissions. Urgency status could be considered as an imperfect proxy for this, however development of a considerably more sophisticated measure is important.

NSW Health notes the IHPA's analysis of the distribution of location of avoidable readmissions in 2015-16 at a national level (provided on page 46). NSW Health recommends that the IHPA compare the share of avoidable readmissions by location of readmission between metropolitan and regional or rural hospitals as the current analysis may mask variations across jurisdictions. NSW Health is of the view that rural or regional hospitals may exhibit higher rates of readmissions to the same hospital or facility than metropolitan hospitals due to the limited number of hospital facilities in those localities.

Recommendations:

- Develop the model for avoidable readmissions based on readmissions to the same hospital.
- Compare the share of avoidable readmissions by location of readmission between metropolitan and regional or rural hospitals.

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?

NSW Health supports the IHPA's intention to use the Individual Health Care Identifier for the purposes of identifying avoidable readmissions across hospitals as part of a pricing or funding approach for safety and quality. The IHI will support the measurement of avoidable readmissions across hospitals within the same local health network.

NSW Health does not support the use of the Medicare PIN. The Medicare PIN is not widely considered a strong identifier by many Health Informatics specialists and its ongoing use would compromise the credibility an avoidable readmissions funding model.

Until the IHPA is able to develop a linked dataset using the IHI, any pricing or funding approach for avoidable readmissions will need measure readmission rates to the same hospital or facility.

Recommendation:

- Use the IHI to measure readmissions across hospitals within a Local Health Network.

Readmissions within or across financial years

Consultation Question:
• Do you support the proposal to limit the measurement of readmissions to those occurring within the same financial year?

NSW Health supports limiting the measurement of avoidable readmissions to within the same financial year on the basis that it creates transparency and reduces complexity in the implementation of a pricing or funding approach. NSW Health recommends the IHPA consider how to account for readmissions documented in May or June and that have a 90-day readmission interval (such as multi-resistant organism or venous thromboembolism diagnoses). The IHPA should consider this in the context of the definition of an avoidable readmission and whether the definition is prospective (i.e. the episode of care is considered a readmission on admission) or retrospective in nature (i.e. the readmission is determined later when reviewing a linked dataset).

Recommendation:

- Measure readmissions within the same financial year.

11.4.5 Pricing and funding approaches for avoidable hospital readmissions

Consultation Question:
• Do you support the proposal to include funding options, but not pricing options, for avoidable hospital readmissions?

NSW Health supports the implementation of a funding approach for avoidable readmissions, which would change the assignment and calculation of the National Weighted Activity Unit (NWAU). In other words, activity would be paid at a discounted price if a readmission occurred.

NSW Health notes that paying a discounted price for an NWAU results in a change in the value of the NWAU rather than the price (NEP). NSW Health is of the view that this is conceptual change to the meaning of NWAU. This means, in effect, the NWAU is no longer reporting on activity only, but also value. IHPA should consider retaining a true NWAU and separately reporting on a value based unit alongside the NWAU to avoid confusion.

Recommendation:

- Implement a funding option for avoidable readmissions.

Risk adjustment for avoidable hospital readmissions

Consultation Question:
• What patient-specific factors should be examined in a risk-adjustment approach to avoidable hospital readmissions?

NSW Health notes that patient risk is already adjusted for in the HAC risk adjustment model by using an age adjustor, and therefore recommends that there is no additional age adjustment in the avoidable readmissions model to avoid duplication. This is recommended on the basis that the avoidable readmissions list is based on the HAC list.

NSW Health recommends the inclusion of a paediatric adjustment specifically for children's hospitals.

NSW Health also supports inclusion of an adjustment that accounts for access to care. For example, patients in remote areas with limited access to General Practitioners or out-of-hospital care services are more likely to be readmitted to hospital. A remoteness adjustment should be considered in the methodology for avoidable readmissions.

Further consideration should be given to a patient's complex and chronic conditions (for example, the presence of multiple comorbidities) which may increase the likelihood of a readmission. The use of a Charlson score may assist in identifying these patients.

A patient's socioeconomic and geographical situation should also be considered in the context of readmissions. Poor access to General Practitioners and community care will increase the likelihood that a patient returns to hospital for care.

Recommendations:

- Remove the duplicative age adjustment from the HAC model.
- Apply a paediatric adjustment to the model.

11.4.6 Analysis of funding options for avoidable hospital readmissions

NSW Health is of the view that a combination of Options 2 and 3 would be the most successful approach in improving safety and quality in health care through the reduction of avoidable readmissions.

NSW Health is most supportive of an approach that incorporates the following two elements:

- Combining of the index and readmission episodes to calculate the funding of the combined episode; and
- Benchmarking rates of avoidable readmissions across hospitals with adjustments made on the basis of threshold rates.

Under this approach, a discount to the price paid for activity with a readmission would apply on readmissions that occur in excess of a set benchmark. This discount would be determined by combining the cost of the index admission and the readmission, and the benchmark would be set at a national level or on a jurisdictional basis.

It is acknowledged that benchmarking is a successful mechanism to drive improvements in patient outcomes, quality of care and efficiency. NSW Health recommends that the IHPA consider hospital level benchmarks, which would compare the readmissions rates of peer facilities.

NSW Health does not support IHPA's proposed Option 1, which provides zero funding for any readmission episode. NSW Health is of the view that this is too strong a penalty, and would not incentivise improvements in the safety and quality of health care. NSW Health is of the view that funding incentives should not only be punitive. Where there is a negative adjustment to achieve budget savings, there should be a corresponding positive adjustment to support better patient care.

An incremental approach to implementing a funding option for avoidable readmissions is supported. NSW Health recommends that a three-year shadow period is implemented to enable appropriate data collection and provide time for a formative evaluation to occur prior to the introduction of such a funding adjustment.

Recommendation:

- NSW proposes a fourth option – combining elements of Options 2 and 3 with the benchmark modelled at both a national and jurisdictional level.

11.5 Evaluation of Safety and Quality in Health Care

NSW supports the development of an evaluation framework for the recently implemented safety and quality reforms. NSW is of the view that any evaluation undertaken by the IHPA, in accordance with the Addendum to the National Health Reform Agreement, should take a broad approach to consider the long-term impacts of funding and pricing adjustors on the safety and quality in Australian health care services.

NSW is of the view that the evaluation framework should consider the success of the reforms beyond the implementation of the IHPA's model and should not seek to isolate the IHPA's reforms and derive a specific impact. Whilst it is important to identify the impact that the reforms have had on safety and quality within the health system, jurisdictions are likely to have implemented variations of the IHPA's pricing and funding approach. It is also important to include qualitative as well as quantitative methods to review behavioural change.

Furthermore, funding remains one lever within a broader system purchasing and performance approach to health service improvement. An evaluation of safety and quality should not solely focus on IHPA's models and the impact of just the National Health Reform Agreement, but should take into consideration local performance initiatives.

Recommendation:

- Broaden the scope of the evaluation questions to consider local implementation of the reforms and other safety and quality initiatives.