14 October 2020

Independent Hospital Pricing Authority
PO Box 483
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Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2021-22

The Australian Healthcare and Hospitals Association (AHHA) welcomes the opportunity to provide this submission to the Independent Hospital Pricing Authority (IHPA) on the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2021-22*.

AHHA is Australia's national peak body for public hospitals and healthcare providers. Our membership includes state health departments, Local Hospital Networks (LHNs) and public hospitals, community health services, Primary Health Networks (PHNs) and primary healthcare providers, aged care providers, universities, individual health professionals and academics. As such, we are uniquely placed to be an independent, national voice for universal high-quality healthcare to benefit the whole community.

AHHA is responding to section 11 of the consultation paper on alternate funding models.

AHHA supports innovative models of care and associated financing arrangements where the focus is on the patient outcomes that are achieved, rather than just the activities that are undertaken (throughput, volume or activity). AHHA also supports a longer-term move towards incorporating outcome-contingent payments where providers are funded on the basis of the pre-defined and agreed outcomes that are achieved. A longer-term approach implies a transfer of at least some risk from funders to providers, and it is anticipated that it would be achieved within blended or bundled funding models. It must also be associated with robust and transparent reporting mechanisms, in addition to provider flexibility in the manner in which their patients' healthcare needs are met.

Value-based health care

AHHA particularly supports the strengthening of value-based health care approaches. AHHA conceptualises value-based health care as the outcomes that matter to patients relative to the resources required to provide these outcomes. While this is a well-recognised conception of value-based health care, AHHA also believes that this needs to be operationalised in an Australian context. Value-based health care implementation in Australian must promote equity and recognise the particularities of our unique universal healthcare system, where there is a large private sector component and around one third of health expenditure is funded through non-government sources.

AHHA believes it is critical to create a health system that supports patients across their entire healthcare journey. While public hospitals provide vital and valued healthcare services to the Australian public, this is embedded within a larger health ecosystem where healthcare can be delivered by multiple providers and in different settings. Cross discipline and cross sector collaboration and planning will be essential to ensure the creation of an integrated health system that prioritises outcomes that matter to patients. Funding models must allow flexibility, support coordination and pooling of funds at the local level, and incentivise integration of care across state, territory and Commonwealth areas of healthcare responsibility.

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A deeper examination of the potential to introduce value-based health care in Australia is provided by Woolcock (2019)[1] and through numerous resources available through the Australian Centre for Value-Based Healthcare(ACVBHC). Established by AHHA in 2019, the ACVBHC provides a space for clinicians, providers and policy makers to come together and build skills, share ideas and expand the collective value-based healthcare knowledge base to support the implementation of value-based health care in Australia.

Developments in technology

AHHA also proposes that alternate funding models need to recognise the rapid developments occurring in technology and data. The discussion around value-based health care to date has largely been around organisational transformation and system design, with limited consideration of the impact of new technologies. Ultimately, new technologies are only useful if they provide better patient outcomes at an efficient cost, and this may not be easy to demonstrate in the short term.

It is difficult to balance the type of data and evidence required for current health technology assessments, which are largely based on clinical outcomes, with patient outcomes or experiences which are an important part of the 'value' assessment. This is perhaps due to difficulties in assessing the cost, which could be a substantial capital outlay versus value to the patient, as clinical evidence can take many years to become accepted as clinically reliable. In addition, data limitations exist such as inconsistencies in measuring patient reported outcome or experience and the interplay with technology issues, patient complexity and the fact that what matters to patients might be different to clinical outcomes.

The Addendum signed by all Australian governments provides a framework to build on existing initiatives around value-based health care, such as paying for volume and outcomes. The Addendum also provides a commitment to develop a national framework for health technology assessment (HTA) noting that HTA is an important means of delivering value to patients and the broader health system. There is broad acknowledgement amongst jurisdictions that patient reported measures are a vital component of a value-based approach to HTA; however work is still required to incorporate these measures, and value-based health care principles more broadly, into HTA in a timely manner.

In our recently-published issues brief, AHHA has recommended:

- There needs to be a clear and consistent approach across governments, health services and clinicians to ensure that evidence to support the value of new technologies such as robotic surgery can be demonstrated in terms of both costs and patient outcomes.

- To determine the value of new technologies we need to ensure that patient outcomes and experiences are measured and included in datasets through standardised systems or collections.

[1] Woolcock, K. 2019. Value Based Health Care: Setting the scene for Australia. Deeble Institute for Health Policy Research Issues Brief No 31. Available at https://ahha.asn.au/publication/health-policy-issue-briefs/deeble-issues-brief-no-31-value-based-health-care-setting.

- Data and evaluation need to be more coordinated with an open approach to collection and sharing. Current arrangements around registries are not consistent and it is not always clear who decides who has access to certain data or who decides what to collect.

- Funding models need to be re-considered and adapted accordingly to enable providers to focus on outcomes that matter to patients as well as cost efficiencies.

- Strategies need to be undertaken to ensure that clinicians are more engaged with overall hospital objectives to identify innovative new technologies and enable access through the public hospital system.

- To demonstrate value, health technology assessments must also include consideration of equity. Are the right patients receiving the right treatment? Value is only achieved across the whole health system if everyone that needs it can access it.

The paper draws on the experience of Metro North Hospital and Health Service (MNHHS) in Queensland and the processes it undertook to purchase the Mako robotic system for hip and knee replacements and how it was implemented into a major public hospital. This case study provides some insights that can potentially be adapted to a national funding framework that considers value as part of the health technology assessment process.

Artificial intelligence (AI) also offers promising opportunities to improve health outcomes. It has the ability to collect, compile, analyse and learn from big data, augmented by real-time data from patients, and create personalised and predictive feedback for individuals. It can improve diagnostics, catalyse patient adherence through engagement, and integrate with remote monitoring devices, all directly influencing care and which should be considered in the development of alternate funding models.

AI is dependent on big data, and there are ever-increasing data sources that can support healthcare, including electronic health records, personal digital devices, pervasive sensor technologies and access to social network data. While data and devices are often siloed, the feasibility of health-data-sharing platforms to obtain and aggregate health data is being explored and integration being achieved.

Funding models need to reflect consideration of the ethical challenges of using AI and new technology. Existing biases and inequalities must not be exacerbated. Rather funding models supporting the adoption of AI must be used to correct disparities.

Proposals for trialling different funding models

AHHA welcomes trials of different funding models, and suggests that IHPA produce guidance on how innovative funding models might be proposed to IHPA and expectations for what constitutes a suitable proposal, including how primary care/Primary Health Networks might be able to be involved as partners with acute care providers.

Overall, the successful implementation of alternate funding models will require prioritisation of support across all areas of healthcare delivery. To avoid siloed areas of reform IHPA must support services across all elements of their change journey, recognising the breadth of structural and process reform needed to embed new funding models in practice. Support must be provided to

facilitate change management processes, allowing organisations to restructure processes and procedures.

AHHA commends IHPA on its continued exploration and support for alternate funding models that shift the focus from activity to outcomes. We strongly endorse a value-based health care funding model and encourage IHPA to continue to explore funding arrangements that facilitate alignment across care pathways and providers which maximise value for money in public investments and achieve better outcomes for patients, funders, and the healthcare system.

I would be pleased to discuss these views with IHPA in more detail.

Yours sincerely,

Alison Verhoeven
Chief Executive
Australian Healthcare and Hospitals Association