



IHACPA

IHACPA Work Program and Corporate Plan 2023-24

Draft for public consultation

March 2023

IHACPA Work Program and Corporate Plan 2023-24 Draft for public consultation - March 2023

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I am pleased to present the Independent Health and Aged Care Pricing Authority's Draft Work Program and Corporate Plan 2023–24 for the reporting periods 2023–24 to 2025–26.

The Independent Hospital Pricing Authority was established under the *National Health Reform Act 2011* to implement national activity based funding for Australian public hospital services, where hospitals are funded for the number and complexity of patients they treat.

On 12 August 2022, amendments to the *National Health Reform Act 2011* came into effect, changing the Independent Hospital Pricing Authority's name to the Independent Health and Aged Care Pricing Authority and expanding its role to include the provision of aged care costing and pricing advice to the Commonwealth Government. This is the first Work Program and Corporate Plan that integrates these expanded functions.

The Independent Health and Aged Care Pricing Authority maintains its role in developing a nationally consistent and effective activity based funding system, and each year delivers a national efficient price for activity based funding for public hospital services and a national efficient cost for block-funded public hospital services. The Independent Health and Aged Care Pricing Authority's expanded functions include the development of annual aged care pricing advice on methods for calculating amounts of subsidies to be paid for residential aged care, residential respite care and home care.

The Independent Health and Aged Care Pricing Authority's Work Program and Corporate Plan 2023–24 strengthens the alignment between its purpose, strategic objectives and key activities. Through the Work Program and Corporate Plan 2023–24, the Independent Health and Aged Care Pricing Authority aims to reflect its accountability more clearly and comprehensively to the Commonwealth Government, the states and territories, broader stakeholders and the Australian public.

Professor Michael Pervan

Chief Executive Officer, Independent Health and Aged Care Pricing Authority
Accountable Authority

Abbreviations and acronyms

ABF	Activity based funding
ACHI	Australian Classification of Health Interventions
ACS	Australian Coding Standards
AECC	Australian Emergency Care Classification
AHPCS	Australian Hospital Patient Costing Standards
AMHCC	Australian Mental Health Care Classification
AN-ACC	Australian National Aged Care Classification
AN-SNAP	Australian National Subacute and Non-Acute Patient Classification
AR-DRG	Australian Refined Diagnosis Related Groups Classification
ATTC	Australian Teaching and Training Classification
CEO	Chief Executive Officer
COVID-19	Coronavirus disease 2019
HAC	Hospital acquired complication
ICD-10-AM	International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification
IHACPA	Independent Health and Aged Care Pricing Authority
IHI	Individual Healthcare Identifier
IHPA	Independent Hospital Pricing Authority
MSAC	Medical Services Advisory Committee
NBP	National Benchmarking Portal
NEC	National efficient cost
NEP	National efficient price
NHCDC	National Hospital Cost Data Collection
NHRA	National Health Reform Agreement
NWAU	National weighted activity unit
SDMS	Secured Data Management System
The Addendum	Addendum to the National Health Reform Agreement 2020–25
The Commission	Australian Commission on Safety and Quality in Health Care
The NHR Act	<i>National Health Reform Act 2011</i>
The PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
The PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
The Pricing Authority	Governing body of the Independent Health and Aged Care Pricing Authority

1. Introduction

The Independent Hospital Pricing Authority (IHPA) was established as part of the National Health Reform Agreement and under the *National Health Reform Act 2011* (the NHR Act) to improve health outcomes for all Australians.

On 12 August 2022 amendments to the NHR Act came into effect changing IHPA's name to the Independent Health and Aged Care Pricing Authority (IHACPA) and expanding its role to include the provision of aged care costing and pricing advice to the Commonwealth Government.

The Chief Executive Officer of IHACPA is the accountable authority presenting the IHACPA Work Program and Corporate Plan 2023–24, as required under section 225 of the NHR Act and section 35(1) of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The NHR Act requires annual reporting on strategic objectives and key activities developed for IHACPA's annual Work Program while the PGPA Act specifies reporting on corporate outcomes and performance measures across 2023–24 to 2024–25.

The Work Program and Corporate Plan identifies IHACPA's strategic objectives and key activities. The project deliverables under each strategic objective are prioritised and shaped by engagement with stakeholders through the Pricing Authority (the governing body of IHACPA), advisory committees and working groups, and through public consultation.

1.1 Purpose

IHACPA's role pertaining to pricing and funding for public hospital services includes:

- determining the national efficient price (NEP) for health care services provided by public hospitals where the services are funded on an activity basis;
- determining the national efficient cost (NEC) for health care services provided by public hospitals where the services are block funded;
- developing and specifying classification systems for health care and other services provided by public hospitals;
- determining adjustments to the NEP to reflect legitimate and unavoidable variations in the costs of delivering health care services;
- determining data requirements and data and coding standards to apply in relation to data to be provided by jurisdictions, including:
 - data and coding standards to support uniform provision of data; and
 - requirements and standards relating to patient demographic characteristics and other information relevant to classifying, costing and paying for public hospital functions;
- except where otherwise agreed between the Commonwealth and a state or territory – to determining the public hospital functions that are to be funded in the state or territory by the Commonwealth.

IHACPA's role pertaining to the provision of advice on aged care costing and pricing matters to the Commonwealth Minister for Health and Aged Care includes:

- providing annual aged care pricing advice about methods for calculating amounts of subsidies to be paid for residential aged care, residential respite care and home care. This will involve advice on the costs of care and how changes in the costs of care should be considered in Commonwealth Government funding decisions
- reviewing data, conducting studies and undertaking consultation for the purpose of providing aged care costing and pricing advice
- performing such functions as conferred by the *Aged Care Act 1997* or the *Aged Care (Transitional Provisions) Act 1997*
- performing other functions relating to aged care (if any) specified in regulations
- undertaking other actions incidental or conducive to the performance of the above functions.

In relation to aged care, IHACPA may also:

- benchmark cost and activity data within the aged care system over time
- give consideration to the impact of wage increases on costs, only where these have been determined by the Fair Work Commission.

The passage of the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022* also saw the transfer of functions from the former Aged Care Pricing Commissioner to IHACPA. IHACPA therefore has the power to approve prices for residential aged care accommodation and extra services.

1.2 Strategic objectives and key activities

The Work Program and Corporate Plan 2023–24 has six strategic objectives with associated key activities for delivery. IHACPA's strategic objectives for 2023–24 are outlined below:

Perform pricing functions

IHACPA has a key function in developing the NEP and NEC Determinations for Australian public hospital services each year. The Pricing Framework for Australian Public Hospital Services forms the policy basis for the NEP and NEC Determinations and outlines the principles, scope and methodology to be adopted by IHACPA in the setting of the NEP and NEC Determinations for public hospital services in the next financial year.

IHACPA's expanded remit includes the provision of independent advice to the Commonwealth Minister for Health and Aged Care on aged care costing and pricing. The Pricing Framework for Australian Residential Aged Care Services outlines the principles, scope and methodology to be adopted by IHACPA when making recommendations to the Commonwealth Minister for Health and Aged Care on the refinement of the subsidies for residential aged care services using the Australian National Aged Care Classification (AN-ACC).

Refine and develop hospital and aged care activity classification systems

Activity based funding (ABF) requires robust classification systems upon which pricing can be based.

Classifications for the health care sector provide a nationally consistent method of classifying all types of patients, their treatment and associated costs. IHACPA has determined national classification systems for the admitted acute, admitted subacute and non-acute, emergency, mental health and non-admitted patient service categories and teaching and training services. These classifications are reviewed regularly and updated periodically to ensure that they remain clinically relevant and resource homogeneous within a service category.

Within the aged care sector, the AN-ACC funding model provides subsidies to approved aged care providers based on the type of service and each residents' care needs. IHACPA's role is to support the implementation and ongoing refinement of the AN-ACC.

Refine and improve hospital and aged care costing

Costing focuses on the cost and mix of resources used to deliver care and plays a vital role in ABF. Costing informs the development of classification systems and provides valuable information for pricing purposes.

For the health care sector, IHACPA coordinates the annual National Hospital Cost Data Collection, which is the primary input into the NEP. This includes the development of national costing standards, collection, validation, quality assurance, analysis and reporting, and benchmarking. The cost collection is undertaken in conjunction with the states and territories, and private hospitals.

For the aged care sector, IHACPA will develop a costing framework and methodology, data sets and related materials and processes which IHACPA will use for developing pricing advice for residential aged care. IHACPA will also develop costing standards and, where required, business rules and guidelines to guide the allocation of resident level costs.

Determine data requirements and collect data

Timely, accurate and reliable data is vital to enable IHACPA to perform its pricing functions and refine and develop activity classification systems. IHACPA has developed a rolling Three Year Data Plan to communicate to the Commonwealth Government and states and territories of the data requirements, data standards and timelines that IHACPA will use to collect data over the coming three years. To ensure greater transparency, IHACPA publishes data compliance reports on a quarterly basis to indicate jurisdictional compliance for reporting of public hospital data with the specifications in the rolling Three Year Data Plan.

Investigate and make recommendations concerning cost-shifting and cross-border disputes

IHACPA has a role to investigate and make recommendations concerning cost-shifting and cross-border disputes between jurisdictions, to ensure the timely, equitable and transparent management of these disputes.

Conduct independent and transparent decision-making and engage with stakeholders

IHACPA conducts its work independently from governments, which allows the Pricing Authority to deliver impartial, evidence based decisions. IHACPA is transparent in its decision making processes and consults extensively with the Commonwealth Government, state and territory governments and other stakeholders to inform the methodology that underpins IHACPA's decisions and work program.

IHACPA has formal consultation processes in place to ensure that it draws on an extensive range of expertise in undertaking its functions. Stakeholder input from IHACPA's multiple advisory committees and working groups ensures that IHACPA's work is informed by expert advice, which helps to establish and uphold IHACPA's credibility throughout the health and aged care industry.

2. Key activities

The Independent Health and Aged Care Pricing Authority's (IHACPA) strategic objectives and the associated key deliverables for 2023–24 are detailed below. Additional major work, not currently listed below, may arise based on the review of the National Health Reform Agreement (NHRA), which is required to provide its final report by December 2023.

Strategic Objective One: Perform pricing functions

a) Development of the Pricing Framework for Australian Public Hospital Services 2024–25

Deliverables	Timeframe
Complete the public consultation process for the Pricing Framework for Australian Public Hospital Services 2024–25.	July 2023
Provide the draft Pricing Framework for Australian Public Hospital Services 2024–25 to health ministers for a 45-day comment period.	September 2023
Publish the final Pricing Framework for Australian Public Hospital Services 2024–25 on the IHACPA website.	December 2023

IHACPA will develop the Pricing Framework for Australian Public Hospital Services 2024–25 to outline the principles, scope and methodology underpinning the development of the national efficient price (NEP) and national efficient cost (NEC) for public hospital services for 2024–25.

Development of the Pricing Framework for Australian Public Hospital Services includes three major phases: a public consultation period, review of the draft Pricing Framework for Australian Public Hospital Services by health ministers, and publication of the final Pricing Framework for Australian Public Hospital Services.

b) Determination of in-scope public hospital services eligible for Commonwealth funding under the National Health Reform Agreement

Deliverable	Timeframe
Finalise decisions on the General List of In-Scope Public Hospital Services for additional or altered in-scope services for 2024–25.	December 2023

The [General List of In-Scope Public Hospital Services Eligibility Policy](#) outlines the process by which jurisdictions can make submissions to IHACPA for public hospital services to be considered for inclusion on the General List of In-Scope Public Hospital Services to receive Commonwealth funding.

Full details of the public hospital services determined to be in-scope for Commonwealth funding are provided in the annual NEP Determination. In 2023–24, IHACPA will assess jurisdiction submissions for additional or altered in-scope services for inclusion on the General List of In-Scope Public Hospital Services for the NEP Determination 2024–25 (NEP24).

c) National Efficient Price and National Efficient Cost Determinations 2024–25

Deliverables	Timeframe
Finalise decisions on jurisdictional submissions for legitimate and unavoidable cost variations to determine whether adjustments are required for the National Efficient Price Determination 2024–25.	December 2023
Provide the draft National Efficient Price and National Efficient Cost Determinations 2024–25 to health ministers for a 45-day comment period.	December 2023
Publish the National Efficient Price and National Efficient Cost Determinations 2024–25 on the IHACPA website.	March 2024

Developing the national efficient price

The NEP represents the price that will form the basis for Commonwealth payments to local hospital networks for each episode of care under the activity based funding (ABF) system. In accordance with the Addendum to the National Health Reform Agreement 2020–25 (the Addendum), IHACPA will consider the actual cost of delivering public hospital services in as wide a range of hospitals as practicable. It will also take into account any legitimate and unavoidable variations in the costs of delivering health care services due to hospital characteristics (for example, size, type and location) and patient characteristics (for example, Indigenous status, location of residence and demographic profile). Health ministers will be requested to identify any legitimate and unavoidable variations in costs and other factors that should be considered by IHACPA in developing the NEP Determination.

Developing the national efficient cost

Generally, public hospitals or public hospital services will be eligible for block funding if there is either no acceptable classification system available, or activity and cost data collections are not in place in jurisdictions to allow for the pricing and funding of these services on an activity basis. Block-funded amounts are included in the NEC Determination each year.

Clauses A49–A55 of the Addendum require that IHACPA develop block-funding criteria in consultation with states and territories, and that states and territories provide advice to IHACPA on how their services meet these criteria. On the basis of this advice, IHACPA determines which hospital services and functions are eligible for block funding. The Administrator of the National Health Funding Pool (the Administrator) then calculates the Commonwealth contribution.

Coronavirus disease 2019

Coronavirus disease 2019 (COVID-19) has resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals. It is important that these changes are adequately accounted for in the national pricing model, without distorting the long term application of the national pricing model.

IHACPA continues to work with jurisdictions to understand the pricing impacts of COVID-19 to ensure that changes to models of care, activity and costs are taken into account in refining the national pricing model for future Determinations.

d) Pricing and funding for safety and quality in the delivery of public hospital services

Deliverable	Timeframe
Incorporate safety and quality reforms into the pricing and funding of public hospital services.	Ongoing

The Addendum requires IHACPA to continue to implement safety and quality approaches for sentinel events, hospital acquired complications (HACs) and avoidable hospital readmissions. The Addendum also requires IHACPA to provide advice regarding the evaluation of existing reforms and the investigation of new reforms, including options for reducing avoidable and preventable hospitalisations.

Sentinel events

Sentinel events are a subset of adverse patient safety events that are wholly preventable and result in serious harm to, or death of, a patient, where serious harm is defined to include requiring life-saving surgical or medical intervention, shortened life expectancy, permanent or long-term physical harm or permanent or long-term loss of function.

The Australian Commission on Safety and Quality in Health Care (the Commission) is responsible for maintaining the Australian Sentinel Events List, which was initially endorsed by Australian health ministers in 2002.

The Commission undertook a review of the Australian Sentinel Events List in 2017 and the updated list was endorsed by Australian health ministers in December 2018. Version 2.0 of the Australian Sentinel Events List is available on the [Commission's website](#).

Since July 2017, IHACPA has implemented a funding approach for sentinel events whereby a zero national weighted activity unit (NWAU) is assigned to an episode of care that includes a sentinel event. This approach is applied to all hospitals, comprising services funded on an ABF or block-funded basis.

Hospital acquired complications

A HAC refers to a complication for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The Commission is responsible for the ongoing curation of the HACs list to ensure it remains clinically relevant.

Version 3.1 of the HACs list and specifications was released in March 2021 and is available on the [Commission's website](#).

Since July 2018, IHACPA has implemented a HACs funding approach that incorporates a risk adjustment model that assigns individual patient episodes with a HAC complexity score (low, medium or high). This complexity score is used to adjust the funding reduction for an episode containing a HAC, on the basis of the risk of that patient acquiring a HAC.

Avoidable hospital readmissions

An avoidable hospital readmission occurs when a patient has been discharged from hospital (index admission) and has a subsequent unplanned admission that is related to the index admission and was potentially preventable.

The Commission developed a list of clinical conditions considered to be avoidable hospital readmissions, which was endorsed by health ministers in 2019. Version 2.0 of the list of avoidable hospital readmission conditions and specifications was released in May 2022 and is available on the [Commission's website](#).

Since July 2021, IHACPA has implemented an avoidable hospital readmissions funding approach which applies a risk-adjusted NWAU adjustment to the index episode, based on the total NWAU of the associated readmission. A risk adjustment model has been derived for each readmission condition, aligning the risk of being readmitted for each episode of care, based on the most clinically relevant and statistically significant risk factors for that readmission condition.

Safety and Quality Evaluation Framework

Clause A172 of the Addendum requires IHACPA to provide advice to health ministers on evaluating the implemented safety and quality reforms against a set of established principles to support consideration of new or additional reforms.

IHACPA developed an evaluation framework in consultation with the jurisdictions, the Commission, the Administrator and key stakeholders for the evaluation of the implemented pricing and funding approaches for sentinel events, HACs and avoidable hospital readmissions. IHACPA, the Commission and the Administrator provided joint advice to health ministers in October 2021 on a proposed evaluation approach.

Further safety and quality reforms

Clause A173 of the Addendum requires IHACPA, the Commission and the Administrator to provide advice to health ministers on options for the further development of safety and quality-related reforms.

As part of the joint advice provided to health ministers in October 2021, IHACPA and the Commission investigated options for reducing avoidable and preventable hospitalisations, with a focus on patients with chronic and complex conditions. Pending ministerial feedback, IHACPA will work with jurisdictions, the Commission and broader stakeholders to explore further options for reducing avoidable and preventable hospitalisations.

e) Forecast of the national efficient price for future years

Deliverable	Timeframe
Provide confidential national efficient price forecast for future years to jurisdictions.	March 2024

Clause B24(h) of the Addendum requires IHACPA to develop projections of the NEP for a four-year period. These are updated annually, with confidential reports on these projections provided to the Commonwealth, states and territories.

f) National Efficient Cost Supplementary Determination

Deliverable	Timeframe
Publish the National Efficient Cost Supplementary Determination 2023–24.	May 2024

As the release of the NEC Determination in March each year does not align with all state and territory budget cycles, IHACPA issues an annual NEC Supplementary Determination, which provides an opportunity for states and territories to update their block-funded amounts following the finalisation of state and territory government budgets.

g) Pricing model refinements

Deliverable	Timeframe
Undertake a review of the eligibility criteria for specified intensive care units and specialised children’s hospitals.	December 2023
Undertake a review of the national efficient price indexation methodology.	December 2023
Undertake a review of the funding methodology for unqualified newborns.	December 2023
Investigate and implement other pricing model refinements in consultation with jurisdictions.	Ongoing

Under the NHRA, IHACPA is required to determine the NEP for services provided on an activity basis in public hospitals through empirical analysis of data on actual activity and costs in public hospitals. The NHRA also specifies that IHACPA is responsible for developing, refining and maintaining systems to calculate the NEP and determine adjustments to the NEP to account for legitimate and unavoidable variations in the costs of service delivery.

IHACPA undertakes an ongoing program of work to refine the national pricing model using an evidence-based approach on the basis of actual activity and cost data. In 2021–22 and 2022–23, IHACPA deferred consideration of pricing model refinements to prioritise accounting for the impact of COVID-19 on the delivery of public hospital services.

For 2023–24, IHACPA will prioritise the review of the eligibility criteria for specified intensive care units and specialised children’s hospitals, the NEP indexation methodology and the funding methodology for unqualified newborns.

IHACPA will consider other pricing model refinements such as adjustments to the NEP to account for legitimate and unavoidable cost variations and opportunities to harmonise prices for similar services across settings for future Determinations. Pricing model refinements will be assessed on the stability of the underlying data, the suitability of application to the national pricing model and the risk of unintended consequences.

At the request of the Commonwealth Minister for Health and Aged Care, IHACPA will also undertake a standalone project to investigate the underlying and enduring drivers for growth in the NEP. Based on the findings of this analysis, IHACPA will provide options for consideration by parties to the NHRA for further reforms to help increase the efficiency of public hospital services and ensure the sustainability of public hospital funding.

h) Development of the Pricing Framework for Australian Residential Aged Care Services 2024–25

Deliverables	Timeframe
Complete the public consultation process for the Pricing Framework for Australian Residential Aged Care Services 2024–25.	August 2023
Provide the draft Pricing Framework for Australian Residential Aged Care Services 2024–25 to Commonwealth Minister.	December 2023
Publish the final Pricing Framework for Australian Residential Aged Care Services 2024–25 on the IHACPA website.	March 2024

Pricing Framework for Australian Residential Aged Care Services 2024–25

IHACPA will develop the Pricing Framework for Australian Residential Aged Care Services 2024–25 outlining the principles, scope and methodology to be adopted by IHACPA in providing pricing advice for residential aged care and residential respite care to inform Commonwealth Government decisions on residential aged care funding from 1 July 2024.

Development of the Pricing Framework for Australian Residential Aged Care Services includes three major phases: a public consultation period, review of the draft Pricing Framework for Australian Residential Aged Care Services by the Commonwealth Minister, and publication of the final Pricing Framework for Australian Residential Aged Care Services.

i) Aged Care Pricing Advice 2024–25

Deliverable	Timeframe
Provide pricing advice to inform Commonwealth Government decisions on residential aged care and respite care funding for 2024–25.	March 2024
Develop pricing advice to inform Commonwealth Government decisions on the Support at Home Program.	June 2024

Residential aged care and respite care

The Australian National Aged Care Classification (AN-ACC) residential care funding model replaced the Aged Care Funding Instrument from 1 October 2022. The AN-ACC funding model provides subsidies to approved aged care providers based on the type of service and each residents' care needs through the application of national weighted activity units to the AN-ACC price. IHACPA will inform Commonwealth Government decisions on residential aged care and residential respite care funding from 1 July 2023.

IHACPA also has responsibility for the functions previously undertaken by the Aged Care Pricing Commissioner. These include:

- the approval of extra service fees;
- the approval of proposed accommodation payments that are higher than the maximum amount determined by the Minister for Health and Aged Care; and
- any other functions conferred on the Aged Care Pricing Commissioner by the Minister for Health and Aged Care, or under Commonwealth law.

Support at Home Program

The Commonwealth Support at Home Program provides entry-level support services for older people who require assistance to live independently at home. IHACPA will provide pricing advice to inform Commonwealth Government decisions on the Support at Home Program from 1 July 2024.

j) Prostheses List reform

Deliverables	Timeframe
Provide advice, as requested, to the Commonwealth Department of Health and Aged Care to support the Prostheses List reforms.	Ongoing

The Prostheses List is a schedule of medical devices and benefits that defines the minimum amount private health insurers are required to pay hospitals that utilise these devices in the provision of care to privately insured individuals. The Prostheses List forms part of the Private Health Insurance (Prostheses) Rules, which is a legislative instrument made under the *Private Health Insurance Act 2007*.

In 2021, the Australian Government Department of Health and Aged Care (the Department) commenced four years of reform activity to improve the Prostheses List and its arrangements. These reforms include changes aimed at improving the alignment of the Prostheses List scheduled benefits with prices paid in the public hospital system, streamlining the administration of the list, and better defining the purpose and scope of the Prostheses List. Revisions to the purpose and scope of the Prostheses List aim to provide greater clarity and certainty about which items are eligible for inclusion on the Prostheses List.

To support the implementation of the Prostheses List reforms, IHACPA has established a public benchmark price for prostheses in Australian public hospitals. This public benchmark price has informed benefit reductions implemented in the July 2022 publication of the Prostheses List.

To further support the Prostheses List reforms, the Department requested that IHACPA provide advice on bundling arrangements for General Use Items on the Prostheses List. The purpose of this advice is to support the private health sector in establishing alternative arrangements for the payment of benefits for these items once they are removed from the Prostheses List on 1 July 2023. IHACPA provided advice on bundling arrangements for General Use Items on the Prostheses List to the Department in December 2022.

IHACPA will continue to work with the Department and key stakeholders to support the Prostheses List reforms in 2023–24.

Strategic Objective Two: Refine and develop hospital and aged care activity classification systems

a) Admitted acute care

Deliverables	Timeframe
Continue the refinement of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions and Australian Coding Standards Thirteenth Edition.	June 2024
Continue the development of the Australian Refined Diagnosis Related Groups Version 12.0.	June 2024

The classification system used for admitted acute care is the Australian Refined Diagnosis Related Groups (AR-DRG) classification, which is underpinned by the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), the Australian Classification of Health Interventions (ACHI) and the Australian Coding Standards (ACS), collectively known as ICD-10-AM/ACHI/ACS.

AR-DRG Version 11.0 and ICD-10-AM/ACHI/ACS Twelfth Edition were developed in accordance with the *Governance framework for the development of the admitted care classifications* in consultation with clinicians, jurisdictions and other health sector stakeholders represented on the Independent Health and Aged Care Pricing Authority's (IHACPA) technical and advisory committees. ICD-10-AM/ACHI/ACS Twelfth Edition has been used to classify episodes of admitted patient care since 1 July 2022. AR-DRG Version 11.0 is anticipated to be used for pricing admitted acute care in Australian public hospitals from 1 July 2023.

In 2023–24, IHACPA will continue to work on the refinement of ICD-10-AM/ACHI/ACS Thirteenth Edition and development of AR-DRG Version 12.0.

b) Subacute and non-acute care

Deliverable	Timeframe
Price admitted subacute and non-acute services using the Australian National Subacute and Non-Acute Patient Classification Version 5.0 for the National Efficient Price Determination 2024–25.	March 2024
Refine the Australian National Subacute and Non-acute Patient Classification Version 5.0	Ongoing

The Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 5.0 was released in December 2021.

AN-SNAP Version 5.0 was developed through detailed statistical analysis and consultation with jurisdictions, clinical experts and other subacute care stakeholders. AN-SNAP Version 5.0 represents a modest refinement of AN-SNAP and introduces a new variable to recognise frailty as a cost driver for geriatric evaluation and management and non-acute episodes of care.

Upon completion of a two-year shadow period as required by the Addendum to the National Health Reform Agreement 2020–25 (the Addendum) for the NEP Determination 2022–23 (NEP22) and NEP23, IHACPA will use AN-SNAP Version 5.0 to price admitted subacute and non-acute services for the NEP Determination 2024–25 (NEP24).

In 2023–24 IHACPA intends to investigate the Rockwood Clinical Frailty Scale and WeeFIM™ as drivers of cost for classification purposes, prior to consideration of inclusion in the NBEDS for future years and will progress this work through the Subacute Care Working Group.

c) Emergency Care

Deliverable	Timeframe
Refine the Australian Emergency Care Classification Version 1.0.	Ongoing
Develop a draft Data Request Specification for emergency virtual care consultation	June 2024

In late 2018, IHACPA finalised the Australian Emergency Care Classification (AECC) Version 1.0. The AECC was approved by the Pricing Authority in July 2019 and used to price emergency department activities from 1 July 2021.

For NEP23, IHACPA will use AECC Version 1.0 to price emergency department activities and Urgency Disposition Groups Version 1.3 to price emergency services.

IHACPA will continue to support states and territories to improve data collection and reporting of existing variables along with future refinement of the classification. This includes progressing work to update the AECC complexity model based on recent national data and the consideration of new variables for collection in the Non-admitted patient emergency department care national minimum data set. IHACPA will investigate potential variables such as procedures and diagnostic investigations for incorporation into future refinements of the AECC.

IHACPA has undertaken individual consultations with a number of jurisdictions to determine the models of virtual care currently being delivered in emergency departments. In 2023–24 IHACPA will consult with all jurisdictions to develop a draft data request specification for emergency virtual care consultation.

IHACPA will also continue to work with jurisdictions to determine the feasibility of transitioning emergency services to be priced using the AECC.

d) Non-admitted care

Deliverables	Timeframe
Continue to maintain the Tier 2 Non-Admitted Services Classification.	Ongoing
Undertake a multi-stage project to support the development of a new patient level non-admitted care classification.	June 2024
Develop a new non-admitted care classification.	Ongoing

The Tier 2 Non-Admitted Services Classification categorises non-admitted services into classes which are generally based on the nature of the service provided and the type of clinician providing the service.

A new non-admitted care classification will better describe patient characteristics and complexity of care to more accurately reflect the costs of non-admitted services. The new classification will account for changes in how care is delivered and, as electronic medical records evolve, will enable more detailed data capture to support testing of new funding models across multiple settings.

In 2019, a national costing study was initiated to collect non-admitted activity and cost data. However, in July 2020, the national costing study was suspended due to the impact of coronavirus disease 2019.

In 2023–24 IHACPA will commence working with jurisdictions to assess the feasibility of utilising existing data available from electronic medical records and information systems to support the development of a new non-admitted care classification. IHACPA intends to undertake a proof-of-concept to test the methodology, with consideration of jurisdictional capacity and capability, with the aim of acquiring a sample of non-admitted service activity data and associated costs from jurisdictional information and costing systems.

Following data extraction, IHACPA will undertake detailed analysis on the non-admitted service data and alternative data available in national data collections, including data collected as part of the Non-Admitted Care Costing Study prior to its suspension in 2020. The outcomes of this work will underpin the development of a final hierarchy and end-classes for the new non-admitted care classification and the associated non-admitted data sets.

e) Mental health care

Deliverables	Timeframe
Price community mental health care using the Australian Mental Health Care Classification Version 1.0 for the National Efficient Price Determination 2024–25.	March 2024
Release the Australian Mental Health Care Classification Version 1.1.	August 2023

The Australian Mental Health Care Classification (AMHCC) Version 1.0 was approved by the Pricing Authority in February 2016 and has been used to price admitted mental health care since 1 July 2022.

Following the completion of a three-year shadow pricing period for the NEP Determination 2021–22, NEP22 and NEP23, IHACPA will use AMHCC Version 1.0 to price community mental health for NEP24. Community mental health care is currently block funded under the NEC Determination. Progression to ABF for community mental health care will enable IHACPA to better identify the costs of providing these services and drive improvements in data collection and pricing.

In 2023–24 IHACPA will continue to work with jurisdictions and key stakeholders to refine the AMHCC and to transition community mental health care to ABF using AMHCC Version 1.0.

Following the implementation of AMHCC Version 1.0 for admitted and community mental health care. IHACPA has identified specific areas for refinement and has commenced work to develop AMHCC Version 1.1. Planned refinements, such as reviewing age restrictions in the Health of the Nations Outcomes Scales (HoNOS) selection and the refinements to the Life Skills Profile weights and thresholds, aim to improve the classification without making significant structural changes and includes updating the admitted and community setting complexity models based on the most recently available national data.

f) Teaching, training and research

Deliverable	Timeframe
Continue to work with jurisdictions to implement the Australian Teaching and Training Classification.	Ongoing

The Addendum requires IHACPA to provide advice on the feasibility of transitioning funding for teaching, training and research from block funding to ABF. The Australian Teaching and Training Classification (ATTC) Version 1.0 was released in July 2018.

IHACPA has developed the ATTC as a national classification for teaching and training activities which occur in public hospitals. The ATTC aims to provide a nationally consistent approach to how teaching and training activities are classified, counted and costed.

The ATTC will improve reporting of hospital-based teaching and training activities and in the future improve the transparency of funding. Jurisdictions broadly support ATTC but note there are challenges related to its implementation, such as the availability of activity and cost data.

In 2023–24, IHACPA will work with jurisdictions to increase awareness of the ATTC and improve the reporting of activity and cost data to support implementation.

Research is not incorporated into the ATTC and no further work is proposed for a research classification at this stage.

g) Sales of the admitted acute care classification system

Deliverable	Timeframe
Manage the international sales of the admitted acute care classification system.	Ongoing

IHACPA assumed responsibility for managing the development and international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system as the custodian of the Commonwealth's Intellectual Property in ICD-10-AM/ACHI/ACS and AR-DRGs in 2012–13.

In 2023–24, IHACPA will update its agreement documents to ensure currency and continue to manage the international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system.

h) Assessment of new health technologies

Deliverables	Timeframe
Assess submissions for new health technologies in order to ensure they are adequately accounted for in the pricing of public hospital services.	Ongoing

In 2021–22, IHACPA undertook an extensive review of the *New Health Technology Policy* to develop a more streamlined process for reviewing the impact of new health technologies on the existing classifications in order to accurately account for them in the pricing of public hospital services.

Under the updated *New Health Technology Policy*, IHACPA will accept submissions from jurisdictions, advisory bodies and other stakeholders on an ongoing basis to facilitate the timely identification of new health technology and reduce duplication of processes. The *New Health Technology Policy* also includes the process for the activation of placeholder codes, which have been established as part of the update to ACHI Twelfth Edition, to enable the temporary codification of new health technology while awaiting classification development.

Clauses C11 and C12 of the Addendum contain specific arrangements for the Medical Services Advisory Committee (MSAC) to review new high cost, highly specialised therapies recommended for delivery in public hospitals. IHACPA will support the inclusion of these technologies in the NEC based on the advice from MSAC and the Commonwealth Department of Health and Aged Care. The *New Health Technology Policy* outlines the eligibility criteria, scope and reporting requirements for high cost, highly specialised therapies.

In 2023–24, IHACPA will continue to monitor and review the impact of new health technologies on the existing classifications based on reports from jurisdictions, advisory bodies and other stakeholders and, where required, refer new health technologies for classification development.

i) Residential aged care

Deliverable	Timeframe
Refine the Australian National Aged Care Classification.	Ongoing

The Australian National Aged Care Classification (AN-ACC) residential care funding model replaced the Aged Care Funding Instrument from 1 October 2022. The AN-ACC funding model provides subsidies to approved aged care providers based on the type of service and each residents' care needs through the application of national weighted activity units to the AN-ACC price.

As cost and resident data is collected and improved, IHACPA will review and recommend refinements to the AN-ACC as required, in consultation with its advisory committees and working groups.

Strategic Objective Three: Refine and improve hospital and aged care costing

a) Australian Hospital Patient Costing Standards

Deliverable	Timeframe
Release the Australian Hospital Patient Costing Standards Version 4.2.	May 2023
Promote ongoing improvement and consistency in cost data submissions through refinement of the Australian Hospital Patient Costing Standards.	Ongoing

The Australian Hospital Patient Costing Standards (AHPCS) are published for those conducting national costing activities, to promote consistency in data submissions. The AHPCS provide the framework for regulators, funders, providers and researchers for the cost data collection.

The Independent Health and Aged Care Pricing Authority (IHACPA) published the AHPCS Version 4.1 in August 2021, which incorporated changes in relation to the impact of the Australian Accounting Standards Board 16 and the reporting of leases are recognised in the general ledger.

The AHPCS Version 4.2 has been developed in consultation with jurisdictions and contains refinements across several areas, including in-scope patient transport costs; best practice for linking pathology costs; consistency in reporting and recording of third party expenses; cost allocations of staff time for pathology, imaging and pharmacy; and cost allocation for private patients in public hospitals.

The AHPCS Version 4.2 is anticipated for release in May 2023 and for implementation for the 2022–23 National Hospital Cost Data Collection (NHDC) submissions.

b) National Hospital Cost Data Collection for public and private hospitals

Deliverables	Timeframe
Release the 2021–22 National Hospital Cost Data Collection public sector report.	March 2024
Release the 2021–22 National Hospital Cost Data Collection private sector report.	March 2024
Collect the 2022–23 National Hospital Cost Data Collection for public and private hospitals	June 2024

In 2023–24, IHACPA will continue to collect and analyse the NHDC and will continue to develop a stronger compliance framework in conjunction with the NHDC Advisory Committee.

The 2021–22 NHDC public sector report will present the public hospital costs submitted by jurisdictions for the admitted acute, subacute and non-acute, emergency department, mental health and non-admitted activity streams.

The 2021–22 NHDC private sector report will present the results from a voluntary collection of private hospital cost and activity information for the admitted acute stream.

c) National Hospital Cost Data Collection Independent Financial Review

Deliverable	Timeframe
Release the National Hospital Cost Data Collection 2021–22 Independent Financial Review.	March 2024

An annual component of the NHDC cycle is the Independent Financial Review. IHACPA commissions an independent body to review the public sector data provided by jurisdictions, with a specific focus on hospitals' financial reconciliations and consistent application of the AHPCS.

The Independent Financial Review provides transparency around the NHDC data submission with review and reconciliation of the data flow from hospitals to the national dataset. IHACPA will work with jurisdictions to deliver the objectives of the Independent Financial Review whilst minimising the impact on jurisdictions.

d) Costing private patients in public hospitals

Deliverable	Timeframe
Phase out the private patient correction factor for all jurisdictions for the National Efficient Price Determination 2024–25.	March 2024

The collection of private patient medical expenses has previously been problematic in the NHDC. For example, there is a common practice in some jurisdictions of using Special Purpose Funds to collect associated revenue (such as the Medicare Benefits Schedule) and reimburse medical practitioners.

The private patient correction factor was introduced as an interim solution for the issue of missing private patient costs in the NHDC. Submissions in response to previous consultation papers on the Pricing Framework for Australian Public Hospital Services have supported phasing out the private patient correction factor when feasible and the correction factor was removed for the Northern Territory for the National Efficient Price (NEP) Determination 2021–22. However, due to the impact of coronavirus disease 2019 on reporting and analysis of cost data, the private patient correction factor was not removed for the remaining states and territories for the NEP Determination 2023–24.

IHACPA will work with the remaining states and territories to phase out the private patient correction factor for the NEP Determination 2024–25.

e) Australian Aged Care Cost Data Collection

Deliverable	Timeframe
Undertake the Residential Aged Care Costing Study.	December 2023
Develop the Australian Aged Care Costing Standards.	June 2024

Residential Aged Care Costing Study

To inform the development and refinement of the AN-ACC and funding model, IHACPA will undertake a costing study in the residential aged care setting. The purpose of the study will be to collect a representative sample of cost data reflecting the care activities that residents of aged care facilities receive, across a variety of residential aged care facilities. The results and findings from the costing study will inform the development of a costing framework and the development of a costing methodology, data sets and related materials and processes, which will support IHACPA's pricing advice on residential aged care.

Development of the Australian Aged Care Costing Standards

In 2023–24, IHACPA will develop costing standards and, where required, business rules and guidelines to guide the allocation of resident level costs. The Australian Aged Care Costing Standards will be incorporated into the residential aged care costing study and inform the development of the residential aged care pricing advice for 2024–25 and 2025–26.

f) Costing studies for public hospital services

Deliverable	Timeframe
Continue the investigation of organ donation, retrieval and transplantation costs.	December 2023

To support the NHCDC, IHACPA undertakes a wide range of separate costing studies. Costing studies are undertaken in areas of the NHCDC that are still in their infancy or where there is considerable stakeholder feedback to investigate costing in a certain area within the health system.

IHACPA and jurisdictional stakeholders have recognised the need to appropriately cost organ donation, retrieval and transplantation since 2014, and introduced a number of support strategies.

IHACPA will review the current activity reporting and costing arrangements for organ donation, retrieval and transplantation, and non-admitted pre and post organ transplantation care. In 2023–24, IHACPA will continue to work with jurisdictions to consider undertaking further projects to examine organ donation, retrieval and transplantation classifications, and activity and cost data sets to ensure they appropriately reflect the volume and costs associated with activities related to organ donation.

Strategic Objective Four: Determine data requirements and collect data

a) Revision of the Three Year Data Plan

Deliverable	Timeframe
Publish the Three Year Data Plan 2024–25 to 2026–27.	June 2024

The Independent Health and Aged Care Pricing Authority's (IHACPA) Three Year Data Plan communicates the data requirements, data standards and timelines that IHACPA will use to collect data from jurisdictions over the coming three years.

IHACPA supports the concept of 'single provision, multiple use' of information to maximise data provision efficiency and continues to align its rolling Three Year Data Plan with the National Health Funding Body's data plan to support this aim.

To support IHACPA's expanded functions, the Three Year Data Plan 2023–24 to 2025–26 was the first Three Year Data Plan to include the classifications and data sets that will be used to prepare aged care costing and pricing advice in addition to the requirements already specified for the collection of hospital data.

In 2023–24, IHACPA will update the Three Year Data Plan, including data collection requirements for both public hospital and aged care services, and provide it to the Health Chief Executives Forum and the Health Ministers' Meeting for consideration.

b) Data specification development and revision

Deliverable	Timeframe
Complete the annual review of activity based funding National Best Endeavours Data Sets and National Minimum Data Sets.	December 2023
Develop a Posthumous organ procurement National Best Endeavours Data Set	June 2024

IHACPA completes an annual review of the ABF National Best Endeavours Data Sets and National Minimum Data Sets to incorporate data elements required for ABF with existing data collections.

In consultation with the Commonwealth Department of Health and Aged Care and the Australian Institute of Health and Welfare, IHACPA will commence work to develop a posthumous organ procurement National Best Endeavours Data Set in 2023–24, or an appropriate alternative data collection. IHACPA will also continue to work closely with the national health data committees to incorporate new elements as required for classification development, and to consolidate existing data collections.

c) Individual Healthcare Identifier

Deliverable	Timeframe
Provide support to jurisdictions to improve the coverage and quality of reporting of the Individual Healthcare Identifier in national health data sets.	Ongoing

The Individual Healthcare Identifier (IHI) is an existing patient identifier that could be included in national data sets to allow IHACPA to accurately identify service delivery to patients across settings of care, financial years and hospitals.

Linked data provides broad benefits to the health system, allowing hospitals to review care pathways and develop value-based health care proposals across different hospitals and service settings.

In October 2021, the National Health Data and Information Standards Committee endorsed the inclusion of the IHI in national data collections on a best endeavours basis. The IHI has been included in national data collections since 1 July 2022.

In 2023–24, IHACPA will continue to support jurisdictions to improve the coverage and quality of IHI data collections, such as by identifying areas of poor coverage or potential instances of incorrect IHI data assignment.

d) Cluster coding for admitted patient care data

Deliverable	Timeframe
Investigate the incorporation of cluster coding into admitted patient care data sets.	Ongoing

Cluster coding is a method that links related classification codes together. Over 80 per cent of the episodes reported in admitted patient care per year use multiple classification codes to classify hospital activity. Understanding the relationships between these codes, documented in the patient's health care record, allows health services, policy makers and researchers to understand this activity more clearly and make evidence-based decisions.

Incorporating cluster coding into admitted patient care data sets shows promise in capturing less ambiguous data on safety and quality areas such as injuries, procedural complications and other consequences of external cause. The introduction of cluster coding may also offer opportunities to address current limitations in how certain conditions are reflected in the coded activity data, such as the broader capture of chronic conditions.

IHACPA is investigating options to incorporate cluster coding to align with the release of the Thirteenth Edition of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, the Australian Classification of Health Interventions and the Australian Coding Standards, anticipated for implementation from July 2025.

The introduction of cluster coding in admitted patient care data will assist in preparing Australia's technical infrastructure and clinical coding workforce for the potential future implementation of the International Classification of Diseases, Eleventh Revision.

e) Improvements to data submission, loading and validation processes

Deliverable	Timeframe
Further develop the Secure Data Management System functionality.	Ongoing

In 2017, IHACPA implemented a new Secure Data Management System (SDMS), which comprises a new data submission portal, data validation process, data storage and data analytics platform. This system has introduced greater flexibility of file upload specifications, faster validation and reporting, and enhanced capabilities for jurisdictions to track and manage their submission process.

IHACPA is working on refreshing the SDMS to consolidate improvements made since 2017 and update the system to operate using modern architectures and practices. Further improvements are expected to boost the robustness and speed of data submission, loading and validation on the SDMS.

IHACPA will continue working with key stakeholders to enhance the data submission portals in the SDMS.

f) Collection of activity based funding activity data for public hospitals

Deliverables	Timeframe
Collect jurisdictional submissions for March quarter 2023 activity based funding activity data.	June 2023
Collect jurisdictional submissions for June quarter 2023 activity based funding activity data.	September 2023
Collect jurisdictional submissions for September quarter 2023 activity based funding activity data.	December 2023
Collect jurisdictional submissions for December quarter 2023 activity based funding activity data.	March 2024

During 2023-24, for public hospital services, IHACPA will continue its collection of ABF activity data on a quarterly basis and sentinel events data on a biannual basis. Teaching, training and research and hospital cost data provided through the NHCDC will continue to be reported on an annual basis.

Based on quarterly data collections, IHACPA will undertake activity analysis which will be used to monitor the impact of the national efficient price pricing model on the hospital system.

g) Data compliance

Deliverables	Timeframe
Publish data compliance report for March quarter 2023.	September 2023
Publish data compliance report for June quarter 2023.	December 2023
Publish data compliance report for September quarter 2023.	March 2024
Publish data compliance report for December quarter 2023.	June 2024

IHACPA publishes details of jurisdictional compliance with data requirements as required by clause B81 of the Addendum. Both ABF hospital activity and cost data collections are assessed in accordance with IHACPA's Data Compliance Policy. All data compliance reports are publicly available on the IHACPA website.

As outlined in the Addendum, from 1 July 2017, jurisdictions will be required to provide IHACPA and the Administrator of the National Health Funding Pool (the Administrator) with a 'Statement of Assurance' on the completeness and accuracy of approved data submissions. This is outlined in more detail in the Three Year Data Plan.

h) Promoting access to public hospital data

Deliverable	Timeframe
Continue to promote access to data through the National Benchmarking Portal.	Ongoing

The National Benchmarking Portal (NBP) is a secure web-based application that allows users to compare cost and activity from hospitals around the country. It provides users the ability to compare differences in activity, cost and efficiency at similar hospitals using national weighted activity units (NWAU).

IHACPA provided public access to the NBP from 26 July 2022. The NBP includes insights into the data collected over three years: 2017–18, 2018–19 and 2019–20. Information such as total NWAU, cost per NWAU and total costed records are available to facilitate analysis at the jurisdiction, local hospital network and hospital level across the patient service categories.

In 2023–24, IHACPA will update the NBP to include two new dashboards relating to hospital acquired complications and avoidable hospital readmissions. IHACPA will also update the existing dashboards to include data for 2020–21.

IHACPA will continue working with jurisdictions and key stakeholders to enhance the functionality of, and data sets available through, the NBP.

Strategic Objective Five: Investigate and make recommendations concerning cost-shifting and cross-border disputes

a) Review of the Cost-Shifting and Cross-Border Dispute Resolution Policy

Deliverable	Timeframe
Conduct the annual review of the Cost-Shifting and Cross-Border Dispute Resolution Policy.	June 2024

As outlined in Part 4.3 of the National Health Reform Act 2011, the Independent Health and Aged Care Pricing Authority (IHACPA) has a role to investigate and make recommendations concerning cross-border disputes and to make assessments of cost-shifting disputes.

IHACPA developed the [Cost-Shifting and Cross-Border Dispute Resolution Policy](#) to guide timely, equitable and transparent processes to investigate both cross-border and cost-shifting disputes.

The Cost-Shifting and Cross-Border Dispute Resolution Policy is reviewed annually in consultation with all jurisdictions to ensure it remains current to sufficiently support IHACPA's cross-border and cost-shifting dispute resolution role. This annual review will consider the manageability of the Cost-Shifting and Cross-Border Dispute Resolution Policy for all parties involved within the bounds of the prescribed legislative requirements.

Strategic Objective Six: Conduct independent and transparent decision-making and engage with stakeholders

a) Monitor and evaluate the implementation of activity based funding for public hospital services

Deliverable	Timeframe
Provide quarterly activity based funding activity data reports to the Pricing Authority and Jurisdictional Advisory Committee.	Ongoing

In 2023–24, the Independent Health and Aged Care Pricing Authority (IHACPA) will continue to monitor changes in the mix, distribution and location of public hospital services each quarter, and conduct an annual analysis of the impacts of activity based funding (ABF) implementation on the delivery of public hospital services through the ABF Monitoring Framework.

Consistent with clause A25 of the Addendum to the National Health Reform Agreement 2020–25 (the Addendum), should IHACPA identify anomalies in service volumes or other data which suggest that services have been transferred from the community to public hospitals for the dominant purpose of making that service eligible for Commonwealth funding, IHACPA will in the first instance consult with the jurisdictions in question to ascertain what underlying factors may be driving movements in service volumes.

b) Evidence-based activity based funding related research

Deliverables	Timeframe
Publish evidence-based activity based funding related research and analysis.	Ongoing
Develop a funding methodology for trials of innovative funding models.	Ongoing

In accordance with clause B31 of the Addendum, IHACPA may undertake research. Evidence-based research plays a significant role in the ongoing advancement of ABF in Australia. This is particularly the case in improving the understanding of the relationship between public hospital activity and costs in all care settings.

As required, IHACPA will conduct ABF related research that furthers the understanding and implementation of ABF, particularly in relation to classifications, coding standards and pricing methodologies. As a result, IHACPA will be better positioned to determine a national efficient price that accurately reflects the costs experienced by Australian public hospitals.

Publication of ABF related research

IHACPA considers that broadening access to its data and publication of analysis using the data would benefit work to develop and evaluate health policy and programs by researchers, clinical groups and peak bodies and would serve the interests of transparency.

IHACPA will continue to work with stakeholders to improve access to hospital data, including developing appropriate safeguards and identifying opportunities that all parties are agreeable to in the release of data and/or publications to third parties.

Innovative funding models

The Addendum and the Pricing Guidelines include provisions for IHACPA to consider the impact on its work of evidence-based, effective new technologies and innovations in models of health care. IHACPA maintains a watching brief on emerging trends in health care to ensure that the current ABF framework can accommodate new and alternate approaches to public hospital funding and service delivery.

While ABF has increased the transparency of hospital services and costs, it has the potential to incentivise more activity or to admit patients instead of focusing on hospital avoidance and patient outcomes. Consequently, there is an increased need to focus on delivering value-based health care aimed at improving patient outcomes and experiences.

Schedule C of the Addendum contains key references to paying for value and outcomes through supporting innovative models of care and trialling new funding arrangements.

In 2023–24, IHACPA will continue to work closely with jurisdictions and clinical experts to facilitate the implementation pathway for trialling state and territory nominated innovative funding models.

c) Support activity based funding education at a national level

Deliverables	Timeframe
Implement strategies, tools and working papers to ensure that IHACPA is providing information that will support its stakeholders.	Ongoing
Deliver the IHACPA Annual Conference 2023.	August 2023
Develop and promote educational materials and resources.	Ongoing

IHACPA recognises that the responsibility for ABF education rests with states and territories as the managers of the public hospital system.

In 2023–24, IHACPA will continue to implement strategies to ensure that it is providing information that will support its stakeholders and guide ABF education activities, through the provision of education tools and resources.

IHACPA holds an annual conference aimed at delivering high-quality education on IHACPA’s program of work and the underlying classification, costing and data collection systems. The conference includes major plenary sessions, concurrent smaller presentations, workshops and training and networking activities and provides delegates with the opportunity to hear from international peers.

In 2021 and 2022, the restrictions associated with the coronavirus disease 2019 pandemic response prompted IHACPA to look at alternative ways to deliver its educational responsibilities, as outlined in the IHACPA Work Program and Corporate Plan 2023–24.

Delivering educational programs on IHACPA’s work will ensure that there are continuing opportunities for engagement and professional development and will present an opportunity for delegates from diverse roles and backgrounds.

As part of its educational offerings for local and international health professionals, IHACPA has released a number of educational materials and resources, including an educational webinar series, fact sheets and education modules for the classification streams.

Since 2021, IHACPA has released regular webinars designed to educate interested local and international health professionals. Each session has been delivered through an interactive portal and addresses key learning outcomes, highlighting the fundamental building blocks relating to ABF and where stakeholders’ roles fit within the lifecycle of the various IHACPA projects.

IHACPA also releases fact sheets to support health professionals and the general public in learning more about IHACPA’s role in the pricing and funding of public hospital services and its expanded functions in aged care costing and pricing.

IHACPA’s educational offerings are enhanced by the educational resources on the [IHACPA Learn platform](#) to support the implementation of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions and Australian Coding Standards Twelfth Edition and the Australian Refined Diagnosis Related Groups Version 11.0. In 2022, IHACPA also released education materials for the Australian Mental Health Care Classification Version 1.0.

In 2023–24, IHACPA will continue to develop and promote educational materials and resources for broader health and aged care stakeholders.

3. Operating context

The Independent Health and Aged Care Pricing Authority's (IHACPA) operating context, including environment, capability, cooperation and collaboration, enterprise risk and performance measures are outlined below.

3.1 Environment

IHACPA operations are influenced by advances in technology that enable digitisation, automation and visualisation. International and Australian developments in standards, best practice and research continuously inform policy and practice.

Coronavirus disease 2019 (COVID-19) has resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals and the support needs of Australian residential care recipients. It is important that the impact of COVID-19 is adequately accounted for in the national pricing model. IHACPA continues to work with jurisdictions to understand the changes to, and the cost drivers of, the delivery of public hospital and aged care services as a result of the COVID-19 pandemic.

3.2 Capability

Human resources

IHACPA continues to place great value in creating a more productive and inclusive workplace and is committed to the recruitment and retention of a diverse workforce. The agency supports a flexible work environment and will continue to support all staff to optimise balance between their work performance and outside factors.

The volume of highly technical work conducted by IHACPA requires significant specialist workforce capability. IHACPA's workforce planning strategies will continue to emphasise both core public sector skills and the enhancement of the expert skills IHACPA requires to meet its pricing and funding objectives.

IHACPA will also continue to strengthen its management and leadership teams by enhancing performance feedback and providing targeted learning and development programs.

The key focus areas for 2023–24 include continuing to:

- develop capability through attendance at internal and external training opportunities
- monitor staff turnover rates and give genuine consideration to feedback provided through the annual Australian Public Service 'State of the Service' report
- support flexible working arrangements and agile work practices.

Infrastructure

In 2023–24, IHACPA will continue to enhance infrastructure to support the national activity based funding system by:

- developing and refining new and existing public hospital and residential aged care activity classifications through specialist input from clinicians and other stakeholders
- establishing and maintaining national costing standards
- developing and maintaining standards for activity data collections, including the annual publication of the Three Year Data Plans
- publishing a quarterly report outlining jurisdictional compliance with the data requirements and data standards as set out in the Three Year Data Plan.

Information and communication technology

Information and communication technology are essential to IHACPA's core business and performance. It enables data analysis, digitisation, automation, visualisation, engagement and a highly mobile and flexible workforce. Robust measures are in place to continuously maintain, test and upgrade data security.

IHACPA will continue to utilise secure cloud capabilities to deliver its Secure Data Management System (SDMS) and other secure information-based systems. The SDMS allows jurisdictions to securely submit data to IHACPA, and for IHACPA to securely retain this information while intensive analysis is undertaken and eliminates the risk of unauthorised data transfer on portable devices.

3.3 Cooperation and collaboration

IHACPA works with stakeholders from government agencies, research and educational facilities, the community and industry. This is achieved through consultative and advisory committees and working groups with expertise in specialised fields enabling a knowledge pipeline for technical advances and best practice innovation. IHACPA's advisory committee and working group structure is illustrated in **Table 1**.

Table 1. List of IHACPA committees and working groups

Board
Pricing Authority
Committees
Aged Care Advisory Committee
Clinical Advisory Committee
Jurisdictional Advisory Committee
National Hospital Cost Data Collection Advisory Committee
Stakeholder Advisory Committee
Technical Advisory Committee
Working groups
Classifications Clinical Advisory Group
Diagnosis Related Groups Technical Group
Emergency Care Advisory Working Group
Interim Aged Care Working Group
International Classification of Diseases Technical Group
Mental Health Working Group
National Hospital Cost Data Collection Private Sector Working Group
Non-admitted Care Advisory Working Group
Small Rural Hospitals Working Group
Subacute Care Working Group
Teaching, Training and Research Working Group

3.4 Enterprise risk

Since the agency's formation in 2011, IHACPA has established a robust system of risk management and controls to assist in its governance. IHACPA's board, the Pricing Authority, delivers the functions detailed in the *National Health Reform Act 2011* (the NHR Act). The Pricing Authority approves IHACPA's core business activities including the national efficient price and national efficient cost Determinations for public hospital services annually and building national classification systems for all public hospital services.

IHACPA's enterprise approach to risk management uses tools that address the strategic and tactical risks of all significant decisions. IHACPA has a comprehensive risk management framework and a detailed risk appetite statement, which is regularly reviewed. IHACPA's enterprise risks are outlined below.

Strategic risks

Strategic risks are identified with reference to current business and environmental issues facing IHACPA. These risks fall into three major risk categories:

- reputational risks
- data and information governance risks
- corporate risks.

Additionally, IHACPA maintains a shared Strategic Risk Register with the National Health Funding Body, which identified two risks that both agencies have agreed to manage jointly:

- incorrect calculation of Commonwealth funding entitlements
- changes to models that have not been effectively modelled and/or implemented.

IHACPA's strategic risks are actively managed through audits, assurance, and internal control processes. Where new risks emerge, resources are assigned to understand and manage those risks. They are reviewed biannually or as required.

Tactical risks

Tactical risks are managed through a decision-based risk management tool, which requires recording of the risk and a formal decision on the managed likelihood and consequence of the risk. The assessment tool forms part of any major decision, ensuring that the final decision maker is fully informed and cognisant of managed risk outcomes during the decision making process. IHACPA has a mature enterprise risk management framework in place, and risk management is considered a business as usual activity for all IHACPA staff.

Policies and procedures

Policies support IHACPA's vision and purpose by setting out compatible rules to govern core business. They influence and determine all major decisions and activities that take place within the boundaries set by them. Policies reinforce and clarify legislative and regulatory requirements, expectations and standards. Policies are complemented by procedures which are the specific methods to action policy in day-by-day operations. IHACPA reviews its policies and procedures on an annual basis or as required to ensure their relevance, and to take advantage of the latest developments and innovations in theory, technology and practice.

Fraud Control Plan

IHACPA's fraud control plan is recognised as a critical internal tool used to mitigate the act and consequences of the unauthorised use of IHACPA data and financial resources. It is updated regularly to incorporate changes to the Commonwealth Fraud Control Framework. The plan encourages ethical behaviour through the use of business processes designed to prevent deceptive activities, supported by monitoring controls to detect fraud and deter offending behaviour, and is reviewed annually or as required.

Compliance

IHACPA has a broad range of compliance obligations, including key statutory obligations set out in the NHR Act, the National Health Reform Agreement, the *Aged Care Act 1997*, the *Aged Care and Other Legislation Amendment (Royal Commission Response) Act 2022*, the *Public Governance Performance and Accountability Act 2013*, and the Public Governance Performance and Accountability Rule 2014. Other legal and compliance obligations include, work health and safety, privacy, freedom of information, intellectual property, the Protective Security Policy Framework, website accessibility and records management. The Chief Executive Officer (CEO) manages assurances on IHACPA's compliance obligations through an organised system of controls and special exercises, including substantive testing, monthly reports, exception notifications, and compliance audits undertaken by an independent internal auditor.

Financial authorisation

As a corporate Commonwealth Agency, IHACPA is not required to adhere to the Commonwealth Procurement Rules, however chooses to do so as a matter of best practice. All of IHACPA's procurement decisions are made in accordance with the Commonwealth Procurement Rules. Line managers have value and purchase class limits in accordance with the delegation of financial authorities that are approved and reviewed regularly by the CEO, as the accountable authority.

Audit, Risk and Compliance Committee

The IHACPA Audit, Risk and Compliance Committee provides independent advice and assurance to the CEO on IHACPA's accountability and control framework and corporate governance arrangements. Risks and an outline of the associated controls are at **Table 2**.

Table 2. Risk and controls

Risk	Outline of controls
Reputational	
IHACPA is not seen as an independent organisation	Regularly update the governance framework
	Consultation with all governments and working groups
	Public consultation processes
	Expert advice and quality assurance in delivering core functions
	Transparent evidence-based methodology in decision-making
Communication of IHACPA's role is not effective	Media monitoring and proactive media briefing
	Annual Conference
	Extensive stakeholder consultation
	Public consultation processes
	Consolidated social media engagement presence
Data and Information Governance Risks	Media briefing on significant decisions and bodies of work
	Data accuracy
	Delays in the provision of data
	A data breach occurs
	Core business records not retained
Information and Communication Technology	Governance structure and business processes established to check the quality and integrity of incoming and outgoing data
	Activity reporting quarterly
	Data compliance process in place
	Systems, policies and procedures are in place to prevent data breaches
	Annual Data Governance assurance audits conducted by internal auditors
Outsourcing and Procurement	IHACPA uses the Department of Health and Aged Care TRIM based record management system for its core business records which ensures regular secure backup
	IHACPA data is independently maintained in accordance with Australian Government requirements
	ICT performance and suitability
	Procurement process and contract outcomes
	Physical Security
Physical security of staff, visitors or contractors and asset security	Comprehensive IT management policies
	Compliance with Australian Commonwealth information requirements
Physical Security	Use of expert advisers to provide security advice
	Experts provide procurement advice
Physical Security	Level of advice considered based on risk assessments on all projects
	Comprehensive and regularly updated procurement and contract management policies and templates
Physical Security	Staff training
	Staff have annual security training
Physical Security	Security checks undertaken

3.5 Performance measures

Section 16EA of the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule) stipulates the requirements around performance measures for Commonwealth entities. The performance measures for a Commonwealth entity are considered to meet the requirements of the PGPA Rule if, in the context of the entity's purposes or key activities, they:

- a) relate directly to one or more of those purposes or key activities;
- b) use sources of information and methodologies that are reliable and verifiable;
- c) provide an unbiased basis for the measurement and assessment of the entity's performance;
- d) where reasonably practicable, comprise a mix of qualitative and quantitative measures;
- e) include measures of the entity's outputs, efficiency and effectiveness if those things are appropriate measures of the entity's performance; and
- f) provide a basis for an assessment of the entity's performance over time.

The Work Program and Corporate Plan for 2023–24 defines IHACPA's strategic objectives and the associated key deliverables for the 2023–24 reporting period. IHACPA's performance over the reporting period will be assessable against the performance measures detailed in **Table 3**, as per the requirements under the PGPA Rule.

Table 3. Performance measures

Key performance indicators	Performance measures
Support public hospitals and aged care services to improve efficiency in, and access to, services through the provision of independent pricing determinations and advice and designing pricing systems that promote sustainable and high-quality care.	Develop the annual Pricing Framework for Australian Public Hospital Services and the annual Pricing Framework for Australian Aged Care Services to communicate IHACPA's pricing decisions and underpinning methodologies.
	Develop the annual National Efficient Price and National Efficient Cost Determinations for public hospital services and the annual pricing advice for aged care.
	Implement national activity based funding, where practicable, underpinned by a mix of qualitative and quantitative measures to contribute to the continual improvement of the national pricing model for public hospital services and for aged care.
	Develop and refine the activity based funding classifications, data collections and coding standards for public hospital services and aged care.
	Ensure effective collection and processing of costing information to support activity based funding outcomes for public hospital and aged care services.
	Analyse activity and cost data for public hospital services to inform an evidence-based methodology for implementing and reviewing safety and quality improvements.
	Provide the Commonwealth and state and territory governments with IHACPA's forward looking work program and data requirements.
Fulfil the reporting and performance requirements under the PGPA Rule.	Undertake regular consultation with the Commonwealth and states and territories, other Commonwealth entities and key stakeholders on decisions and deliverables that impact IHACPA's operating context.
	Each year publish an annual report detailing IHACPA's delivery of reports, documents and other deliverables that pertain to its purpose and key activities.



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