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File reference
EDOC2024/0008225

Dear Professor Pervan

I understand that the *Draft IHACPA Work Program and Corporate Plan 2024-25 (2024-25 Work Program)* has been circulated and was discussed at the December 2023 Jurisdictional Advisory Committee and that the committee members have been requested to provide their feedback.

Whilst the formal public consultation period does not begin until March 2024, I feel it is important to raise my concerns as early as possible regarding the proposed 2024-25 Work Program as the draft has not included the commitments arising from our collaborations during 2023. Given these omissions, I am providing NT Health's feedback to you and propose that we work constructively towards the inclusion of these issues in the 2024-25 Work Program.

The two significant issues we have previously discussed are outlined below and additional feedback on the 2024-25 Work Program is provided in Attachment A.

At our October 2023 meeting on patient transport, it was acknowledged that the Northern Territory (NT) incurs substantial legitimate and unavoidable costs relative to other jurisdictions, and that there is difficulty in accounting for these in the national pricing model. It was encouraging to hear the willingness to collaborate with the NT to develop solutions but note that the 2024-25 Work Program and the *draft National Efficient Price Determination 2024-25* are both silent on this matter.

In September 2023, I wrote to you alongside the heads of ACT and Tasmania Health to raise matters relevant for small jurisdictions and requested consideration of a small jurisdiction efficient price or loading. The response received in October indicated a willingness to work together on these matters and it was expected that this work would be recognised in the 2024-25 Work Program.

I look forward to discussing these matters further at your earliest convenience.

Yours sincerely



Professor Marco Briceno
BMBS, MRCS (England), FACRRM, AFACHSM
Chief Executive
6 February 2024

IHACPA Draft 2024-2025 Work Program

NT Health Preliminary Feedback

1. Impact of the NEP on smaller jurisdictions

In October 2023, the Chief Executive Officer of IHACPA indicated willingness to explore matters relevant to small jurisdictions with limited ability to influence the national pricing model. A joint letter from Tasmania Health, ACT Health and NT Health identified relevant factors including:

- lack of economies of scale;
- comparatively smaller hospitals;
- lack of larger hospital networks to allow for specialisation and load sharing;
- higher clinical staff attraction and retention costs; and
- high patient transport costs.

These challenges would be addressed through development of a small-jurisdiction efficient price or loading.

The NT requests that this issue be prioritised in the 2024-25 Work Program.

2. Hospital beds occupied by patients awaiting residential aged care placements

The NT lacks sufficient residential aged care places due to market failure, resulting in hospital beds being occupied by people who would otherwise be in aged care. This creates significant pressure on the hospital system by impacting capacity to prioritise elective surgery and other critical services, predominantly affecting our largest establishment, Royal Darwin Hospital.

NT Health is pursuing long-term bilateral remedies with the Commonwealth to address market failure; however there are legitimate opportunities to refine the national pricing model to address this issue. The design of the model incentivises minimisation of admission duration by providing a fixed amount of funding for 'inlier' patients. This is not appropriate for patients awaiting placement in aged care facilities which often is a situation outside the direct control of hospitals.

The NT requests that IHACPA prioritises, in the 2024-25 Work Program, the review of price incentives to reduce a patient's hospital length of stay particularly in the instance where a patient is clinical ready for discharge however remains in hospital receiving maintenance care.

3. Patient transport costs

The NT is committed to providing equitable access to healthcare for our residents living in very remote areas through the use of aero medical retrievals. At the October 2023 meeting between the Chief Executives of NT Health and IHACPA, it was acknowledged that the NHRA funding model does not adequately account for these transport costs as they are not necessarily driven by clinical complexity. It was also acknowledged that the NT Health system incurs substantial costs which due to our demographic distribution is 7.6 times the national average.

Opportunity for collaboration between IHACPA and NT Health was identified, in order to develop adjustments which would enable the NEP to more accurately reflect these substantial, legitimate and unavoidable costs which our health services have limited control over.

The NT requests that IHACPA prioritises, in the 2024-25 Work Program, the development of adjustments to the NEP to more accurately reflect these costs.

4. Review of the Indigenous Adjustment

The draft Work Program does not prioritise the review of the Indigenous Adjustment and indicates that this work may occur subject to further consideration by IHACPA. The NT has previously requested at JAC meetings that this review be factored into IHACPA's work program; this was most recently raised in October 2023.

Under the current calculation method, the preliminary stabilised adjustment based on the 2021-22 cost model was 3%. Of concern is that the un-stabilised adjustment is a reduction to 1%. This modelled reduction is not reflective of the clinical complexity of delivering healthcare to a population cohort with poorer health outcomes and comorbidities, relative to the general population in the NT, and the overheads in delivering culturally sensitive care including Aboriginal health practitioners, interpreters, community liaison workers and cultural awareness training.

IHACPA's pricing guideline states that "funding should support timely and equitable access to high quality health services and reduce disadvantage for all Australians, especially for Aboriginal and Torres Strait Islander peoples". Prioritising the review of the Indigenous adjustment would be consistent with this principle.

NT requests that the IHACPA prioritises, for 2024-25 Work Program, the review of the Indigenous adjustment on the basis that this modelled reduction does not reflect NT Health experience in the cost of providing healthcare to this population cohort.

5. Review of indexation methodologies

At a workshop in November 2023, NT and other jurisdictional representatives highlighted the challenge of substantial wage growth, primarily driven by agency nursing and locum medical staff, which is not adequately accounted for when applying indexation to historical cost data.

The draft Work Program indicates that IHACPA does not expect to complete assessment of the indexation review recommendations until March 2025, which will not be in time to incorporate any methodology changes into the development of NEP25.

The methodology assessment should be prioritised and fast-tracked utilising 2022-23 cost data from a pilot cohort of hospitals without waiting for the final 2022-23 NHDC submission. This will facilitate utilisation of updated indexation methodologies in development of NEP25.