NSW Health

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NSW response to the Independent Health and Aged Care Pricing Authority's draft Work Program and Corporate Plan 2024–25.

Dear Professor Pervan

Thank you for the opportunity to comment on the Independent Health and Aged Care Pricing Authority's (IHACPA) draft Work Program and Corporate Plan 2024–25 (the Work Program).

NSW Health largely supports the Work Program and looks forward to working collaboratively with the IHACPA on this work. A number of recommendations to clarify, refine, and enhance the current draft have been enclosed.

NSW reiterates support for the continuation of shadow pricing community mental health care for an additional year to enable jurisdictional readiness by July 2025. As part of this important work, we believe it would be helpful and provide greater transparency if the Work Program outlined the work the IHACPA will undertake to prepare jurisdictions for the transition, and how the IHACPA will engage and consult jurisdictions.

NSW notes the deliverables in relation to aged care costing and pricing advice outlined in the Work Program, in line with expanded functions under the *National Health Reform Act 2011*. Furthermore, NSW notes the Aged Care Advisory Committee is now in operation in place of the Interim Aged Care Working Group. As there is no jurisdictional representation on the Aged Care Advisory Committee, NSW seeks clarification on how the IHACPA will engage and consult all jurisdictions on aged care costing and pricing matters.

Thank you again for writing. For more information, please contact Gregory Westenberg, Acting Executive Director, Government Relations Branch, NSW Ministry of Health at Gregory.Westenberg@health.nsw.gov.au or on 02 9461 7963.

Yours sincerely

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Deputy Secretary, Health System Strategy and Patient Experience

Encl. NSW Submission on the Pricing Authority's Draft Work Program and Corporate Plan 2024–25

Independent Health and Aged Care Pricing Authority

Draft IHACPA Work Program and Corporate Plan 2024–25

NSW response

NSW Health's (NSW) responses below are made with reference to the relevant sections of the Independent Health and Aged Care Pricing Authority's (IHACPA) draft Work Program and Corporate Plan 2024–25 (the Work Program).

2. Key activities

Strategic Objective One: Perform pricing functions

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

General List of in-scope public hospital services

A timeline of supporting actions for the General List of in-scope public hospital services (the General List) process, such as the initial request for submissions, draft General List consultation and final decision, would assist jurisdictions with understanding the process. NSW requests IHACPA outline the supporting actions and timeframes alongside the deliverable.

Opportunities for Commonwealth funding under the National Health Reform Agreement

NSW recommends IHACPA consider how Commonwealth contributions can be applied for shared care arrangements, encouraging and appropriately incentivising preventative care and care which has the capacity to be performed by primary care in community settings.

Funding mechanisms that incentivise care that support hospital avoidance, with a focus on allocative efficiencies for care delivered in primary care settings should also be reviewed by IHACPA. NSW notes alternative mechanisms could include alternative funding options, or ways to enhance co-commissioning and service integration across funders, such as state and territory health divisions and primary health networks.

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

Hospital Acquired Complications

NSW acknowledges that the Australian Commission on Safety and Quality in Health Care is responsible for the ongoing curation of the Hospital Acquired Complications (HACs) list to ensure it remains clinically relevant. However, noting the use of clinical coded data by IHACPA to inform the HACs funding approach, NSW would welcome the opportunity to engage with IHACPA to discuss how the HACs list could assist with addressing clinician concerns.

Further safety and quality reforms

Additional information is sought on IHACPA's investigation for options to reduce avoidable and preventable hospitalisations. Information such as the current scope, considered options and timeframe would orientate jurisdictions with what work has been undertaken to date.

g) Pricing model refinements

Intensive care unit adjustment review

Similar to the deliverable, 'Continue the review of the funding methodology for unqualified newborns,' NSW requests a deliverable specifically for the intensive care unit eligibility list review is included in the Work Program due to the significance of this piece of work.

Indirect care in the non-admitted care setting

The current Tier 2 non-admitted patient (NAP) classification does not appropriately reflect the true costs of delivering care for complex and acute patients at a patient level due to the amount of time spent on indirect activity. This issue is particularly relevant in areas with patients who present with multiple, complex health and social needs, such as drug and alcohol settings. Therefore, NSW recommends IHACPA consider reviewing the impact of indirect costs for NAP activity. Findings from this investigation may warrant a pricing model refinement.

h) Development of Pricing Frameworks for Australian Aged Care Services for 2025–26

Pricing Framework for Australian Residential Aged Care Services 2025–26

Clarification is sought on how jurisdictions will be represented in the consultation process for the *Pricing Frameworks for Australian Aged Care Services for 2025–26*. Specifically, which IHACPA committees and working groups will be engaged in the development of the document and the associated timeframes for each stage. Outlining when the *draft Pricing Frameworks for Australian Aged Care Services for 2025–26* will be released for public consultation in the Work Program would also assist jurisdictions with preparing a response.

Pricing Framework for Australian Support at Home Aged Care Services 2025-26

NSW notes the *Pricing Framework for Australian Support at Home Aged Care Services 2025–26* is scheduled to be published ahead of the Support at Home Program implementation from 1 July 2025. The Support at Home Program is understood to consolidate a variety of existing in-home aged care programs, including Home Care Packages (HCP) and Short-Term Restorative Care (STRC) from 1 July 2025 and Commonwealth Home Support Program (CHSP) from July 2027.

Whilst NSW Health is not a registered provider for HCP and STRC and will not be directly impacted by the new pricing model until July 2027, the Support at Home Program will have a single pricing model which will apply to all services, including CHSP, for which NSW Health is the major provider in NSW. Therefore, it is critical that NSW Health is represented in the consultation and development of pricing advice for the Support at Home Program. NSW further notes there may also be indirect impacts for health by the implementation of the Support at Home Program from 1 July 2025, including any market failures and/or other unintended consequences which may result in increased demand for CHSP services and/or other NSW Health services.

NSW seeks clarification on how jurisdictions will be represented in the consultation process and associated timeframes, including which IHACPA committees and working groups will be engaged in the development of the *Pricing Framework for Australian Support at Home Aged Care Services 2025–26*. NSW reiterates the identification of these timeframes in the Work Program would be beneficial for all stakeholders.

i) Aged Care Pricing Advice 2025–26

NSW reiterates the feedback provided above for key activity ‘h’, specifically on how jurisdictions will be consulted and the identification of timeframes for this deliverable.

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

a) Admitted acute care

International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification

NSW acknowledges and supports the work undertaken by IHACPA to include new codes for the use of vaping devices and voluntary assisted dying.

NSW reiterates the request for IHACPA to expeditiously develop specific International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM) *Chapter 19 Injury, poisoning and certain other consequences of external causes* T codes to capture nitrous oxide and other volatile substance poisoning, for example deodorant, butane, as a national drug priority (IHACPA public submission 546).

The ability to accurately monitor the use of volatile substances for recreational purposes is a priority for NSW. The lack of quality data has been highlighted in the National Health and Medical Research Council consensus-based clinical practice guideline for the management of volatile substance use in Australia. NSW advises this has been an area of focus for multiple jurisdictions in response to coronial inquiries. Therefore, the creation of specific ICD-10-AM codes to capture the morbidity associated with volatile substance use is essential as this would allow for accurate surveillance and targeted public health measures.

Additionally, there are several other emerging drugs of concern that are subject to real-time prescription monitoring or changing drug policies, which are not specifically captured in hospitalisations data and therefore cannot be used for epidemiological reporting. These drugs, particularly pregabalin (IHACPA public submission P547), quetiapine (IHACPA public submission P549) and kava (IHACPA public submission 543), should also be prioritised for specific ICD-10-AM *Chapter 19 Injury, poisoning and certain other consequences of external causes* T codes.

NSW acknowledges IHACPA have commenced preparing for the potential implementation of the International Statistical Classification of Diseases, Eleventh Revision (ICD-11) in the future. As ICD-11 has specific extension codes that would capture most of the above identified substances, NSW advises developing the requested T codes imminently to facilitate current data needs would support future classification migration.

Cluster coding

While the cluster coding business case, pilot results and inclusion in national minimum data set are all still undergoing finalisation, clarification is sought for how cluster coding will be incorporated into Australian Refined Diagnosis Related Groups Version 12.0 and the perceived impact of this incorporation.

c) Emergency care

Emergency Care ICD-10-AM Principal Diagnosis Thirteenth Edition

NSW reiterates support for the inclusion of a new code to capture vaping in the ICD-10-AM classification and requests a vaping code is also implemented in the Emergency Care ICD-10-AM Principal Diagnosis Thirteenth Edition.

Emergency virtual care

NSW supports in principle the development of the emergency virtual care data request specifications, however reiterates previous feedback recommending the amendment of the Australian Emergency Care Classification and the Non-admitted patient emergency department care national minimum data set to capture virtual care.

d) Non-admitted care

Australian Non-Admitted Patient Classification Project

IHACPA's continued work on refining and developing activity classification systems, particularly for non-admitted care, is supported by NSW as public sector services have consistently raised concerns on the absence of a robust patient level non-admitted care classification and the application of activity based funding (ABF). The benefits of establishing the new non-admitted care classification to better describe patient characteristics, care complexity, and more accurately reflect the true costs of patient level care is appreciated and acknowledged.

The Non-Admitted Patient Classification Project (ANAPP) should also consider including research into specialties, such as Addiction Medicine which are predominantly non-admitted care focused and often include complex case management and indirect patient activity. These types of services have an important role to play in contributing to hospital avoidance, allocative efficiencies and improved patient outcomes.

NSW welcomes the opportunity to review stage two results of the ANAPP and will continue to work with IHACPA via the Non-Admitted Care Advisory Working Group and other relevant IHACPA committees.

Consideration of indirect care

NSW reiterates care complexity is a key issue for costing and pricing of drug and alcohol services as the current ABF funding model does not reflect true costs and patient complexity. NSW provides the majority of public alcohol and other drug services in Australia and NAP activity data. A significant amount of this activity within the clinical service models includes indirect care (complex case management) that is not considered in scope for ABF, resulting in budget decreases for some NSW local health districts (LHDs). NSW recommends IHACPA review care complexity and the impact of indirect care as part of ANAPP.

e) Mental health care

Transition of community mental health care from block funding to ABF

There is limited information on the work that will be undertaken by IHACPA to better prepare jurisdictions for the transition of community mental health care to ABF. Apart from data completeness, it is unknown what other improvements will be made to the model. NSW has consistently raised that the issue with transitioning community mental health care is not

limited to data but the classification itself, as it does not fit the model of care in an ambulatory setting.

To assist NSW with the transition, information is requested on:

- how will IHACPA consult and engage the jurisdictions leading up to the transition
- how will IHACPA work through the issues with current clinical practice versus the Australian Mental Health Care Classification (AMHCC) and technical specifications
- the actions IHACPA will undertake for the transition.

AMHCC Version 1.1

Concerns are reiterated for the properties and validity of AMHCC Version 1.1 and NSW requests the scope in the Work Program is expanded to outline the continued refinement of existing assumptions and definitions.

AMHCC Version 2.0

NSW notes IHACPA's commitment to develop the AMHCC Version 2.0 and will consider refinements, such as electroconvulsive therapy, which appear to be modest and incremental. The development of AMHCC Version 2.0 requires commitment from IHACPA to:

- effectively and thoroughly consult with jurisdictions in relation to identifying possible improvements for AMHCC as well as assessing the data quality and feasibility of inclusion of relevant predictors of cost
- practice transparency when analysing properties and impacts of proposed changes
- recognise the costs and lead time required to implement classification changes.

Additionally, the listed refinements in the Work Program do not seem to address improving the identification and incorporation of additional information into the classification. NSW recommends this aspect is reviewed while developing AMHCC Version 2.0 as the main intent would be to better identify cost drivers and reasons for extended length of stay for mental health care patients.

<u>f) Teaching, training and research</u>

NSW acknowledges no further work will be undertaken by IHACPA to develop a research classification.

NSW submitted research data last financial year, regardless of being marked initially non-compliant with submitting national best endeavours data sets (NBEDS), to support this area. The submission of NBEDS is aimed at driving research classification development and assists with setting a price. NSW requests IHACPA provide advice on their intent in the research space.

<u>i) Residential aged care</u>

Australian National Aged Care Classification

NSW seeks clarification on:

- which IHACPA committees and working groups will be consulted on the recommended refinements to the Australian National Aged Care Classification (AN-ACC)
- how jurisdictions will be represented in the consultation process
- a timeline on the associated work to be undertaken to refine AN-ACC.

Aged Care Advisory Committee

Jurisdictions are not represented on the permanent Aged Care Advisory Committee despite previously been represented on the Interim Aged Care Working Group. Therefore, a mechanism where jurisdictions can be regularly consulted on aged care pricing, including any changes to AN-ACC, has now been removed. Noting changes in the aged care setting can impact the acute care system, NSW considers jurisdictional engagement critical to ensure broad and appropriate consultation.

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

c) National Hospital Cost Data Collection quality

While designing a methodology for the National Hospital Cost Data Collection (NHCDC) process, NSW recommends IHACPA manage the administrative burden for jurisdictions undertaking the NHCDC while balancing this with reducing the long lag time between the costing year and the year IHACPA incorporate data into the funding model.

e) Australian Aged Care Cost Data Collection

Data collection

NSW acknowledges IHACPA will collect and utilise activity and cost data from aged care providers, to develop a costing framework, costing methodology, data sets and related materials and processes for residential aged care and the Support at Home program. This will include the development of the Australian Aged Care Costing Standards, which will in turn inform the development of residential aged care and Support at Home pricing advice.

Activity and cost data is currently directly submitted by LHDs to the Commonwealth. NSW requests involvement in reviewing these data submissions and providing advice to IHACPA regarding the accuracy and relevance of any reported aged care activity and cost data. This engagement with NSW will support the development of appropriate costing standards/pricing advice for residential and in-home aged care services.

Support at Home

The release of the *Support at Home Aged Care Cost Data 2024 Report* in February 2025 does not provide adequate time ahead of the commencement of Support at Home from 1 July 2027. NSW requests the release of this report as early as possible to allow providers to determine their capability to provide under Support at Home.

Additionally, NSW also requests the Support at Home costing study includes a diverse set of providers from rural, regional and metropolitan settings to allow for costing ranges by rurality. Providers involved in the costing study will also need to represent the full spectrum of services offered under Support at Home. There are very limited providers delivering allied health and nursing services under the current Home Care Package Program.

NSW supports the Aged Care Taskforce's recommendation for Support at Home clinical service types to be fully subsidised by the Australian Government with no client contributions for these services. Access to essential clinical care for older people should not be compromised through the imposition of client fees.

Pricing of allied health in aged care

The *Exposure draft – Aged Care Bill 2023* proposes 'Allied Health' to be listed in provider registration category 4 with personal care, and only subject to Quality Standards 1–4.

‘Nursing’ is proposed to be grouped in category 5 and subject to all Quality Standards. Regardless of the registration category, NSW requests the pricing of allied health is not negatively impacted by being grouped with personal care as a lower cost non-clinical service.

Strategic Objective Four: Determine data requirements and collect data

a) Revision of the Three Year Data Plan

NSW requests involvement in consultation regarding data collection requirements for aged care services, as outlined in the Three Year Data Plan, including consultation via the Health Chief Executives Forum, Health Ministers’ Meeting and other IHACPA committees and working groups.

b) Data specification development and revision

The implementation of a robust data governance process by IHACPA is critical to ensure that proposed changes to data submission requirements:

- have sufficient consultation
- are approved by data suppliers
- ensure that funds are not redirected from patient care to meet IHACPA’s administrative purposes.

Additionally, any change will require a fully costed business case with an appropriate source of funding identified by IHACPA to reduce the financial burden on jurisdictions.

c) Cluster coding for admitted patient care data

Concerns are held for the immediate and long term impact of the implementation of cluster coding. Furthermore, a funding source to support the proposed cluster coding implementation to eliminate the substantial cost burden on jurisdictions for this initiative is yet to be identified by IHACPA.

NSW welcomes the opportunity to review the cluster coding business case, 2024 pilot results and inclusion in the Admitted patient care national minimum data set. Transparency of these documents will ensure jurisdictions can review the findings, particularly relating to quantifying the perceived benefits of cluster coding and the impact on limited coding resources across the country.

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

b) Evidence-based activity based funding related research

Virtual models of care

NSW notes and supports the horizon scan of Australian and international virtual models of service delivery and care, and associated funding arrangements. With the current progression and development of virtual models of care, the development of a nationally consistent definition and framework will assist in identifying, reporting and assessment resource utilisation.

NSW requests information on the national strategy for the horizontal scan is outlined in the Work Program to assist with transparency.

Clarification is sought as to whether it is anticipated that any enhancements to ICD-10-AM/ACHI/ACS Thirteenth Edition and AR-DRG Version 12.0 will be required to incorporate the findings of the horizon scan, and what the resulting impact will be.

3. Operating context

3.3 Cooperation and collaboration

NSW reiterates jurisdictional consultation on aged care is critical and requests clarification on how jurisdictions will be represented on the Aged Care Advisory Committee. Noting NSW Health is a significant provider of aged care services, for instance State Government Residential Aged Care Facilities and the Commonwealth Home Support Program, consultation and engagement with jurisdictions is critical.

Furthermore, the role of the IHACPA Jurisdictional Advisory Committee in reviewing aged care classification systems, pricing advice, costing standards should be considered given the interface and relationship between the aged care and health care systems. This also includes the potential for State and Territory health services to be indirectly impacted by any unintended consequences of changes to aged care pricing/funding models. For example, market failure which may result in increased hospital presentations or non-admitted health service encounters.

3.5 Performance measures

There is no detail on internal or external mechanisms IHACPA undertakes to evaluate projects or work completed by the agency. NSW requests information is included in this section to outline how evaluations are performed for transparency.