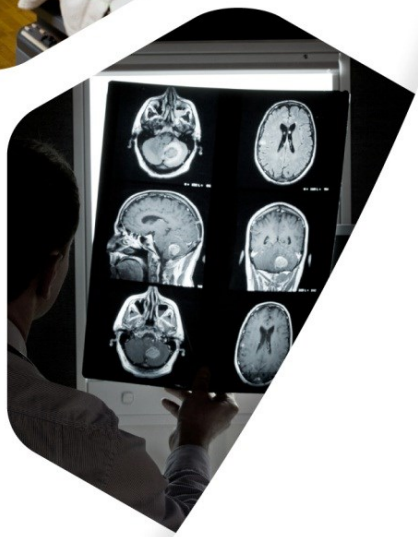
Independent Hospital Pricing Authority

IHPA



Draft IHPA Work Program **2016-17**

February 2016

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Abbreviations and acronyms

ABF	Activity Based Funding
AHPCS	Australian Hospital Patient Costing Standards
AIHW	Australian Institute of Health and Welfare
AMHCC	Australian Mental Health Care Classification
AN-SNAP	Australian National Subacute and Non-Acute Patient Classification
AR-DRG	Australian Refined Diagnosis Related Group
CAC	Clinical Advisory Committee
CALD	Culturally and Linguistically Diverse
CHC	Council of Australian Governments Health Council
COAG	Council of Australian Governments
DSS	Data Set Specification
GEM	Geriatric Evaluation and Management
HTTRA	Hospital Teaching, Training and Research Activities
ICD-10-AM	Australian Modification of the International Statistical Classification of Diseases, 10th revision
ICU	Intensive Care Unit
IFR	Independent Financial Review
IHPA	Independent Hospital Pricing Authority
Jurisdictions	Commonwealth, states and territories
LHN	Local Hospital Network or the equivalent
MHC	Mental Health Care
NEC	National Efficient Cost
NEP	National Efficient Price
NHCDC	National Hospital Cost Data Collection
NHIPPC	National Health Information and Performance Principal Committee
NHISSC	National Health Information Standards and Statistics Committee
NHRA	National Health Reform Agreement 2011
NMDS	National Minimum Data Set
PHE	Public Hospitals Establishments
Pricing Framework	Pricing Framework for Australian Public Hospital Services
The Act	*National Health Reform Act 2011*
The Commission	The Australian Commission on Safety and Quality in Health Care
Tier 2	Tier 2 Non-Admitted Services Classification
TTR	Teaching, Training and Research

1. Introduction

1.1 Background

The Independent Hospital Pricing Authority (IHPA) is an independent Commonwealth authority established under Commonwealth legislation as part of the National Health Reform Agreement (NHRA) reached by the Council of Australian Governments (COAG) in August 2011. The NHRA sets out the intention of the Commonwealth and state and territory governments to work in partnership to improve health outcomes for all Australians.

IHPA is a key element of the NHRA, and is charged with determining the National Efficient Price (NEP) and National Efficient Cost (NEC) for public hospital services, allowing for the national introduction of Activity Based Funding (ABF). From 1 July 2012, the Commonwealth has used the NEP to determine the Commonwealth funding to Local Hospital Networks (LHNs). The implementation of ABF will improve transparency, and strengthen incentives for efficiency in the delivery of public hospital services.

In this document, 'Pricing Authority' refers to the governing members and 'IHPA' refers to the agency.

1.2 Purpose

As prescribed in Section 225 of the *National Health Reform Act 2011* (the Act), the objectives of the IHPA Work Program are to:

- set out IHPA's work program for the coming year; and
- invite interested persons (including states and territories) to make submissions to the Pricing Authority about the work program up to 30 days after publication.

An extract of Section 225 of the Act is attached at Appendix 1.

1.3 Objectives

The objectives of publishing and calling for public submissions on the IHPA Work Program are to:

- enhance focus on the equitable funding of public hospitals
- improve efficiency, accountability and transparency across the public health care system, and
- drive financial sustainability of public hospital services into the future.

1.4 Review

The Work Program will be revised and published each financial year in accordance with the Act. IHPA will report on the progress of its Work Program in its Annual Report.

At the end of each period IHPA will evaluate its performance against the Work Program.

2. IHPA Work Program 2016-17

Overview

The IHPA Work Program for 2016-17 encompasses the following:

1. Development of the *Pricing Framework for Australian Public Hospital Services 2017-18*
2. Determination of the NEP and NEC for public hospital services
3. ABF classification system development and revision
4. Development of data requirements and standards
5. Public hospital services costing development
6. Support of ABF research and education
7. Management of the international sales of the Australian Refined Diagnosis Related Group (AR-DRG) system
8. Resolution of cross-border disputes and assessment of cost-shifting disputes between jurisdictions.

A description of each of these program objectives, the deliverables and indicative timeframes for completion are outlined in this document.

These program objectives have been aligned to the functions of IHPA, as prescribed in Section 131 of the Act. An extract of Section 131 of the Act is attached at Appendix 2.

Program objective 1

2017-18 Pricing Framework development

(a) Development of the Pricing Framework for Australian Public Hospital Services (Pricing Framework) 2017-18

IHPA will develop the Pricing Framework outlining the principles, scope and methodology to be adopted by IHPA in the setting of the NEP and NEC for public hospital services in 2017-18. The Pricing Framework forms the policy basis for the NEP and NEC determinations.

IHPA will publish the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2017-18* and call for public submissions. IHPA will provide the draft Pricing Framework 2017-18 to health ministers by 30 September 2016 with health ministers having a statutory 45 days to provide comments to IHPA. After consideration of comments from health ministers, IHPA will publish the final Pricing Framework 2017-18 by 30 November 2016 for adoption in the following financial year.

Deliverables	Timeframes
Publication of the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2017-18* and call for public submissions	30 June 2016
Provision of the draft *Pricing Framework for Australian Public Hospital Services 2017-18* to health ministers for 45 day comment period	30 September 2016
Publication of the final *Pricing Framework for Australian Public Hospital Services 2017-18* on IHPA website	30 November 2016

(b) Pricing for quality and safety in the delivery of public hospital services

The NHRA requires that IHPA, in setting the NEP, must have "regard to ensuring reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness and financial sustainability of the public hospital system" (clause B12(a)).

The Australian Commission on Safety and Quality in Health Care (the Commission) and IHPA are working together to consider options for their respective governing bodies on the most appropriate potential approaches to ensuring safety and quality in the provision of health care services.

In 2015-16, IHPA and the Commission progressed work on:

- Developing and piloting ways in which data and information routinely generated in Australian hospitals could be provided to clinical teams in the hospital environment to promote improvement in safety and quality; specifically, a proof of concept to test the draft national set of high-priority hospital complications in selected Australian hospitals;
- The requirements and feasibility of introducing best-practice pricing in Australian public hospitals with a specific focus on hip fracture patients; and
- An appropriate mechanism and format for providing safety and quality data to clinical teams and hospital leaders to drive quality improvement in ways that support implementation of best-practice pricing in priority clinical areas, with a focus on hip fracture patients.

At the 1 April 2016 Council of Australian Government's meeting, the Commonwealth and the States and Territories signed a Heads of Agreement (the Agreement) in respect of public hospital funding and which outlines reforms to improve health outcomes and decrease avoidable demand for public hospital services.

The Agreement provided that the parties to the Agreement, in conjunction with IHPA and the Commission, would develop *'a comprehensive and risk-adjusted model to integrate quality and safety into hospital pricing and funding*'. The Agreement further provides that the model will '*determine how funding and pricing can be used to improve patient outcomes and reduce the amount that should be paid for specified adverse events, ineffective interventions, or procedures know to be harmful'*. The Agreement notes '*this could include an adjustment to the amount the Commonwealth contributes to public hospitals for a set of agreed hospital acquired conditions*'. It further provides that the parties to the Agreement agree to develop the model for implementation by 1 July 2017.

A further aim of the Agreement is to reduce avoidable readmissions to public hospitals within 28 days of discharge, with a particular focus on avoidable readmissions within 5 days of discharge, for '*conditions arising from complications of the management of the original condition that were the reason for the patient's original hospital stay'*. The parties to the Agreement, in conjunction with IHPA and the Commission, will develop a '*comprehensive and risk-adjusted strategy and funding model that will adjust the funding to hospitals that exceed a predetermined avoidable readmission rate for agreed conditions and the circumstances in which they occur by 1 July 2017'*.

In 2016-17, IHPA will progress this work and provide advice to the Pricing Authority on potential approaches to incorporate safety and quality into public hospital services pricing.

Deliverables	Timeframes
Develop an approach to pricing for safety and quality and a pricing approach for avoidable readmissions	1 July 2017

(c) Determination of in-scope public hospital services for the purposes of Commonwealth funding under the NHRA

IHPA has developed the *Annual Review of the General List of In-Scope Public Hospital Services Framework* which outlines the process by which jurisdictions can make submissions to IHPA regarding public hospital services to be determined as in-scope public hospital services eligible to receive Commonwealth funding. This document is available on IHPA's website.

Full details of the public hospital services determined to be in scope for Commonwealth funding were provided in the 2016-17 NEP Determination. In 2016-17, IHPA will assess jurisdictions' submissions for additional or altered in-scope services for 2017-18.

Consistent with Clause A25 of the NHRA, should IHPA 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, IHPA will in the first instance consult with the jurisdiction or jurisdictions in question to ascertain what underlying factors may be driving movements in service volumes.

Deliverables	Timeframes
Jurisdictions' submissions assessed against the General List Framework for additional or altered in-scope services for 2017-18	30 November 2016
Conduct analysis to determine if services are transferred from the community to public hospitals for the dominant purpose of making those services eligible for Commonwealth funding (Clause A25, NHRA)	Ongoing

Program objective 2

Determination of the NEP and NEC for public hospital services

(a) NEP and NEC Determinations

IHPA's primary function is to produce the NEP and the NEC each year.

The NEP represents the price that will form the basis for Commonwealth payments to Local Hospital Networks for each episode of care under the ABF system. In accordance with the NHRA, IHPA will consider the actual cost of delivery of public hospital services in as wide a range of hospitals as practicable. It will also take into account any legitimate and unavoidable variations in costs due to hospital characteristics (e.g. size, type and location) and patient complexity (e.g. Indigenous status, location of residence and demographic profile). Health ministers will be requested to identify any unavoidable variations in costs and other factors in their jurisdiction that should be considered by IHPA.

In 2016-17 as part of the development of the Australian Mental Health Care Classification (AMHCC) IHPA will undertake work to price mental health care for NEP17.

IHPA will work with jurisdictions and other stakeholders over the next twelve months to explore the most effective options for achieving further efficiencies in the public hospital system.

The NEC represents the average cost of a block funded hospital. Generally, public hospitals, or public hospital services will be eligible for block grant funding if the technical requirements for applying ABF are not able to be satisfied and/or if there is an absence of economies of scale that means some services would not be viable under ABF.

IHPA will provide the draft NEP and NEC Determinations to health ministers by 30 November 2016, with health ministers having a statutory 45 days to provide comments to IHPA. After consideration of comments from health ministers, IHPA will publish the final Determinations by 1 March 2017 (for adoption in the following financial year, i.e. 1 July 2017).

Deliverables	Timeframes
Provision of the draft *2017-18 National Efficient Price and National Efficient Cost Determinations* to health ministers for 45 day comment period	30 November 2016
Publication of the *2017-18 National Efficient Price and National Efficient Cost Determinations* on the IHPA website	1 March 2017

(b) NEP and NEC model refinement

In 2016-17, IHPA will continue to refine the models which are used to determine the NEP and NEC. This will incorporate the current work and research being undertaken by IHPA and any refinements to the Pricing Framework, specifically:

NEP Determination

i. Intensive Care Unit (ICU) Adjustment

IHPA acknowledges a pricing approach not based on patient characteristics is not ideal. For NEP15 IHPA considered a range of options for a patient-level adjustment including further analysis of the Acute Physiology, Age, & Chronic Health Evaluation score data to determine if this can be further adapted to provide a patient level indicator of ICU need and patient complexity.

IHPA will continue to work with key stakeholders and jurisdictions to investigate patient-level indicators for ICU resource use. It is anticipated that an appropriate patient-level measure would remove the need for an ICU eligibility criterion based on hospital characteristics.

ii. Incorporating new technology in patient classification systems

In 2016-17, IHPA, through the CAC and using the Impact of New Health Technology Framework, will continue to monitor and review the impact of new health technologies on the existing classifications based on reports from government agencies and advisory bodies, and will determine whether and how the classification systems should be adjusted in response.

iii. Bundled Pricing

In 2014-15, IHPA developed temporal care bundled price weights for Home Enteral Nutrition, Total Parenteral Nutrition, home-delivered dialysis and home ventilation. The intention of these bundled price weights was to significantly reduce the bureaucratic overhead associated with reporting activity on a regular basis. These were introduced in the NEP for 2015-16.

IHPA recognises that there is potential to better align pricing incentives across settings for patient care by setting a single price across multiple settings of care. This approach potentially gives hospital managers greater room to develop innovative models of care for different patient groups, without being deterred by pricing models based around traditional care settings. IHPA canvassed this proposal in its *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2016-17* and received broad stakeholder support.

In 2016-17, IHPA has convened an advisory group comprising jurisdictions, clinicians, consumers and other key stakeholders to develop a bundled pricing approach for possible adoption to uncomplicated maternity care in future years.

NEC Determination

In this period, further work will be undertaken on block funding including better identification of in-scope expenditure at a facility level; improvements in the reporting of activity data; and reviewing the groupings of these hospitals.

(c) Forecast of the NEP for future years

Clause B3(h) of the NHRA requires IHPA to develop projections of the NEP for a four year period. These will be updated annually and confidential reports on these projections will be provided to the Commonwealth, states and territories.

Deliverables	Timeframes
Monitor and review new technologies based on reports received from government agencies and advisory bodies	30 September 2016
Continue working with stakeholders and jurisdictions to explore alternative patient-based mechanisms for determining the Intensive Care Unit Adjustment for future years	30 October 2016
Refinement of models to determine the National Efficient Prices and National Efficient Cost	30 November 2016
Provision of confidential National Efficient Price forecast for future years to jurisdictions	1 April 2017

Program objective 3

ABF classification system development and revision

The basis for ABF is robust classification systems. Without acceptable classifications to describe relevant hospital activity ABF cannot occur. IHPA has already determined the national classifications systems for public hospital services, including admitted acute, non-admitted, emergency and subacute care.

Classifications are reviewed regularly and updated periodically to ensure that they remain clinically relevant and resource homogenous within a service category. Such modifications are based on robust statistical analysis and include specialist input from clinicians.

During 2016-17, IHPA will undertake further development of admitted acute care, subacute care, non-admitted patient care, emergency care, mental health care and teaching, training and research classifications.

Further details regarding classification development are outlined below.

(a) Admitted acute care

The classification for admitted acute care is the AR-DRG system. Codes from Australian Modification of the International Statistical Classification of Diseases, 10th revision (ICD-10-AM) and Australian Classification of Health Interventions form the foundation of AR-DRGs.

During 2016-17, work will be completed on ICD-10-AM 10th edition and AR-DRG V9.0. ICD-10-AM 10th edition is scheduled for implementation from 1 July 2017. IHPA intends to use AR-DRG V9.0 for pricing from 1 July 2018.

Deliverables	Timeframes
Complete development work on Australian Refined Diagnosis Related Group V9.0	30 November 2016
Complete development work on Australian Modification of the International Statistical Classification of Diseases 10th Edition	30 November 2016

(b) Mental health care services

During 2015-16, IHPA has progressed work on the development of a national classification for mental health care based on data from the national mental health costing study conducted in 2014-15. The draft AMHCC version 1.0 was released for public consultation in November 2015 and piloted at four health services. The AMHCC version 1.0 was approved by the Pricing Authority for implementation on 25 February 2016.

In 2016-17, the AMHCC version 1.0 will be implemented for the purposes of data collection, and will be used for pricing mental health care from 2017-18.

In 2016-17, IHPA will continue to refine the AMHCC and supporting materials based on the findings from an inter-rater reliability study of the new data item 'mental health phase of care' with clinicians across Australia. IHPA will also develop a work program for further refinements to the AMHCC.

Deliverables	Timeframes
National implementation of the Australian Mental Health Care Classification version 1.0	1 July 2016
Commence data collection of the ABF Mental Health Care Data Set Specification 2016-17	1 July 2016
Commence development of the Australian Mental Health Care Classification version 2.0	September 2016

(c) Subacute and non-acute care

Substantial work started in 2012-13 to develop and implement nationally consistent definitions; determine appropriate patient assessment tools, data collection, classification, and reporting to support ABF implementation for subacute and non-acute care.

The nationally consistent definitions have been in effect since 1 July 2013. The development of the Australian National Subacute and Non-Acute Patient (AN-SNAP) Classification Version 4.0 was completed in late 2014. In developing the new classification, some issues were identified with the availability of subacute care data for the Geriatric Evaluation and Management (GEM) care type in relation to clinical assessment tools for cognition.

In 2015 IHPA undertook a clinical data collection for the GEM care type. The clinical data includes data related to clinical assessment tools for cognition and other potential cost drivers. In 2016 this GEM clinical data set will be used to inform development of the GEM branch of the AN-SNAP Classification.

Deliverables	Timeframes
Ongoing development of the subacute care classification	Ongoing

(d) Emergency care

In 2013, IHPA engaged a consultant to conduct an investigative review of classification systems for emergency care services for Australia, and recommend options for the development of a classification for public hospital funded emergency care services. The review recommended a staged development of a classification system to replace the Urgency Related Groups and Urgency Disposition Groups, as well as undertaking a targeted live costing study and data development work to support the classification development.

In 2016-17, IHPA will continue work to develop a new classification system for emergency care services for Activity Based Funding purposes. Development work includes undertaking a targeted costing study in 2016. The classification development work will investigate issues raised through submissions to the Pricing Framework including measures of patient complexity; different models of care (eg telehealth services); and capacity of smaller services. The new classification system is scheduled for completion by December 2017, and proposed for implementation from 1 July 2018.

To improve the consistency of reported emergency department diagnosis data, IHPA will complete the development of an emergency department principal diagnosis list in 2016.

Deliverables	Timeframes
Development of an emergency department principal diagnosis short list	December 2016
Development of a new classification system for emergency care services	December 2017

(e) Non-admitted care

The Tier 2 Non-Admitted Services Classification (Tier 2) was primarily developed to support the introduction of ABF for non-admitted hospital services in the Australian public hospital system. Tier 2 has been reviewed annually by IHPA's Non-Admitted Care Advisory Working Group.

In 2015 IHPA undertook work to define and develop national reporting systems to capture non-admitted multidisciplinary case conferences where the patient is not present. This work will continue in 2016 with a study of costs to determine the feasibility of capturing non-admitted multidisciplinary case conferences where the patient is not present as well as obtaining cost and activity data to enable a pricing approach to be developed.

The development of the new Australian Non-Admitted Care Classification will commence in 2016 and is scheduled for completion in 2018.

Anticipating the implementation of the Australian Non-Admitted Care Classification, changes to the Tier 2 classification will be minimal in 2016-17.

Deliverables	Timeframes
Development of the Australian Non-Admitted Care Classification system	December 2018
Conduct a study of costs for non-admitted multidisciplinary case conferences	31 December 2016

(f) Teaching, Training and Research

The NHRA requires IHPA to advise the Council of Australian Governments Health Council (CHC) (formerly the Standing Council on Health) on the feasibility of transitioning funding for Teaching, Training and Research (TTR) to ABF by 30 June 2018. IHPA provided that advice to the CHC in 2014.

During 2015-16 IHPA completed a comprehensive costing study of TTR activities.

During 2016-17 IHPA will undertake the development of a new classification for these services.

Deliverables	Timeframes
Completion of the costing study of teaching, training and research activities	31 July 2016
Development of a classification for teaching, training and research.	30 June 2017

Program objective 4

Development of data requirements and standards

(a) Revision of the Three Year Data Plan

Timely, accurate and reliable public hospital data is vital to both the development of classifications for hospital services and to determine the NEP and NEC for those services.

Recognising this, IHPA has developed a rolling *Three Year Data Plan* to communicate the data requirements, data standards and timelines that IHPA will use to collect data over the coming three years from jurisdictions.

In 2014-15, IHPA revised the rolling *Three Year Data Plan* and provided it to the CHC for consideration. IHPA supports the concept of 'single provision, multiple use' of information to maximise data provision efficiency, and aligned the rolling *Three Year Data Plan* with the other national agencies to support this aim.

In 2016-17, IHPA will revise the rolling *Three Year Data Plan* and provide it to the CHC for consideration.

Deliverables	Timeframes
Publication of the *Three Year Data Plan 2016-17 - 2018-19*	30 June 2016

(b) Data specification development and revision

In 2015-16, IHPA completed an annual review of the Data Set Specification (DSS) and NMDS required for ABF, and worked with the National Health Information Standards and Statistics Committee (NHISSC) to incorporate data elements required for ABF with existing data collections. IHPA also completed the ABF Mental Health Care Data Set Specification (MHC DSS) and updated the Hospital Teaching, Training and Research Activities Data Set Specification (HTTRA DSS) to include research, for which data reporting will commence on 1 July 2015.

In 2016-17, IHPA will continue to work closely with NHISSC and other data committees to incorporate new elements as required for classification development, as well as consolidate existing NMDS and DSS.

IHPA will continue to work with NHISSC and the Mental Health Information and Statistics Strategy Committee to implement the ABF MHC DSS from a best efforts ABF collection to a national data collection.

Deliverables	Timeframes
Completion of the annual review of ABF Data Set Specification and National Minimum Data Set	30 October 2016

(c) Improvements to data submission, loading and validation processes

In 2015-16, IHPA continued supporting the single data submission process and facilitated a secure online Data Submission Portal via the Australian Institute of Health and Welfare (AIHW) for the ABF activity data submission. The portal includes an automated validation system and submission function which eases the data submission process for submitters.

In 2016-17, IHPA will enhance the data submission capability which facilitates the hospital costing data submission. The focus will be to establish the capacity to securely receive, validate, quality assure, transform and store the data that underpins the future NEP and NEC development.

Deliverables	Timeframes
Continue to enhance the Data Submission Portal to support the hospital activity and costing data submission	Ongoing

(d) Data Compliance Policy

IHPA publishes details of Commonwealth and state compliance with data requirements on a six monthly basis as required by clause B102 of the NHRA.

In 2015-16, IHPA reviewed the Data Compliance Policy which underpins the process for jurisdictions to submit activity data to IHPA on a six monthly basis, and cost data on an annual basis. The criteria for assessing data compliance were reviewed to ensure they reflect IHPA's data requirements as specified in the *Three Year Data Plan 2015-16 to 2017-18*.

Deliverables	Timeframes
Revision of the Data Compliance Policy	31 July 2016
Publication of the Data Compliance Report	31 January 2017 30 June 2017

(e) Collection of ABF activity data for public hospitals

During 2016-17, IHPA will continue to collect the ABF activity data on a six monthly basis.

Based on the six monthly data collections, IHPA will be producing high quality ABF six monthly activity reports which are used to monitor the impact of the NEP funding model on the hospital system.

Deliverables	Timeframes
Jul 2016 – Dec 2016 Activity Based Funding activity data submission by jurisdictions	31 March 2017
Jan 2017 – Jun 2017 Activity Based Funding activity data submission by jurisdictions	30 September 2017

(f) Public Hospital Establishments NMDS

The AIHW's National Public Hospital Establishments Database, specified by the Public Hospital Establishments (PHE) NMDS, is one of the primary data sources available to IHPA to determine the NEC for block funded services.

During 2013, 2014 and 2015 AIHW on behalf of IHPA completed the validation and redevelopment of the PHE NMDS through the NHISSC and the National Health Information and Performance Principal Committee. The new PHE NMDS applicable to hospital establishments and an LHN DSS have been implemented for 2014-15.

IHPA has engaged AIHW to progress further development of the LHN DSS to be integrated into the one expanded PHE NMDS for endorsement by NHISSC.

In 2015-16, IHPA and AIHW commenced work, in consultation with jurisdictions to further progress the data development with the goal of an integrated LHN/PHE NMDS for 2017-18.

Deliverables	Timeframes
IHPA will work with AIHW and jurisdictions on further data development to integrate the Local Health Network Data Set Specification into an expanded Public Hospital Establishments National Minimum Data Set for endorsement by National Health Information Standards and Statistics Committee.	December 2016

Program objective 5

Public hospital services costing development

(a) Implementation of the outcomes of the Strategic Review of the NHCDC

In 2012-13, IHPA commissioned a formal review of the National Hospital Cost Data Collection (NHCDC) to ensure it is a robust collection for the development of the NEP and other funding arrangements.

The Strategic Review found that through stronger governance and compliance frameworks; better communication and transparency; an agreed understanding of the key purpose of the collection; greater industry involvement and improvements in methodology, the NHCDC will continue to serve an important role in Australia's health system.

During 2013-14, IHPA commenced implementing the outcomes of the Strategic Review including establishing an NHCDC Advisory Committee with both jurisdictional and industry members; rationalising data specifications to reduce duplication of morbidity data elements between the NHCDC and other national minimum data sets; and developing Version 3 of the Australian Hospital Patient Costing Standards (AHPCS).

In 2014-15 IHPA commenced the development of Version 4.0 of the AHPCS conducting cost studies to analyse the efficacy of the various cost allocation methods. During 2016-17, IHPA will continue to implement Strategic Review recommendations including the development of data governance and quality framework.

Deliverables	Timeframes
Continue to progress the implementation plan for the outcomes of the Strategic Review of the National Hospital Cost Data Collection	31 December 2016

(b) Collection of NHCDC costing data for public and private hospitals

In 2016-17, IHPA will continue to collect and analyse the NHCDC public and private hospital data and will develop a stronger compliance framework in conjunction with the NHCDC Advisory Committee.

Deliverables	Timeframes
Release of draft Round 19 National Hospital Cost Data Collection cost weights	30 September 2016
Release of draft Round 19 National Hospital Cost Data Collection cost weights for private hospitals	30 September 2016
Release of draft Round 20 National Hospital Cost Data Collection cost weights	30 June 2017
Release of draft Round 20 National Hospital Cost Data Collection cost weights for private hospitals	30 June 2017

(c) NHCDC Independent Financial Review

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

The IFR provides transparency around the data submission with a review and reconciliation of the data flow from hospital submission through to finalisation in the national dataset.

Deliverables	Timeframes
Completion of the National Hospital Cost Data Collection Round 19 Independent Financial Review	30 November 2016

(d) Revision of the Australian Hospital Patient Costing Standards

In 2013-14, IHPA revised the AHPCS. These standards are published for those conducting national costing activities and provide the framework for regulators, funders, providers and researchers about the consistency of the cost data collection. IHPA will give appropriate consideration to the lead time required by jurisdictions in relation to the implementation of the AHPCS.

In 2016-17, IHPA will consult with jurisdictions through the NHCDC Advisory Committee to continue improving and drafting supplementary documents for Version 4.0 of the AHPCS.

Deliverables	Timeframes
Release of approved Australian Hospital Patient Costing Standards V4.0	31 December 2016

(e) Costing blood and blood products

The NHRA requires IHPA to reduce the NEP to account for funding that the Commonwealth provides to public hospitals through programs other than the NHRA payments (see Clauses A6 and A7).

IHPA has reviewed the methodology of removing blood costs, and has had preliminary discussions with the National Blood Authority regarding the feasibility of costing blood products in future years. IHPA is also working with jurisdictions to investigate how blood costs can be more accurately captured in the NHCDC in future years.

Deliverables	Timeframes
Continue to work on developing an improved approach to blood and blood products costing	Ongoing

Program objective 6

Support ABF research and education

(a) Monitor and evaluate the introduction of ABF

IHPA will actively monitor the impact of the implementation of ABF. This will include monitoring changes in the mix, distribution and location of public hospital services, consistent with its responsibilities under Clause A25 of the NHRA and Section 131(3)(c) of the *National Health Reform Act 2011,* whereby IHPA must have regard to the need to ensure:

(i) reasonable access to health care services; and

(ii) safety and quality in the provision of health care services; and

(iii) continuity and predictability in the cost of health care services; and

(iv) the effectiveness, efficiency and financial sustainability of the public hospital system.

In 2013-14, IHPA developed a monitoring framework for this purpose in conjunction with the IHPA CAC, and set up a long term evaluation program to monitor any impacts that the introduction of a national ABF system may have on the delivery of public hospital services.

Phase 1 of the evaluation of the impact of the implementation of national ABF commenced in late 2014. The timeframe for the procurement for Phase 2 (the actual evaluation based on the criteria and baseline established in Phase 1) is yet to be determined.

In 2016-17, IHPA 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 ABF implementation on the delivery of public hospital services.

In 2014-15, IHPA worked with jurisdictions to develop a benchmarking website which can be accessed by jurisdictions to enable benchmarking, comparison of activity and costs, and modelling of results. IHPA will continue this work in 2016-17.

Deliverables	Timeframes
Actively monitor the impact of the implementation of Activity Based Funding through the Activity Based Funding Monitoring Framework including monitoring changes in the mix, distribution and location of public hospital services, consistent with Clause A25 of the Agreement	30 June 2017
Establish a benchmarking website which can be accessed by jurisdictions to enable benchmarking, comparison of activity and costs, and modelling of results	Ongoing

(b) Evidence-based ABF related research

Section 131(n) of the *National Health Reform Act 2011* requires the Pricing Authority to do anything incidental to or conducive to the performance of any of its functions. In this regard, and in accordance with Clause B8 of the NHRA, IHPA may undertake research.

Evidence-based research plays a very 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, IHPA will conduct ABF-related research that furthers the understanding and implementation of ABF, particularly including classifications, coding standards and pricing methodologies. As a result, IHPA will be in a better position to determine an NEP that accurately reflects the costs experienced by Australian public hospitals.

Throughout 2015-16, IHPA commissioned a number of pieces of evidence-based research into ABF pricing models and methodology which have been published on the IHPA website.

In 2015-165 IHPA commissioned or developed a range of ABF-related research projects, such as, but not limited to:

- improving the pricing models used to determine the NEP and NEC
- pricing for safety and quality in public hospital services

In 2016-17 IHPA will commission further ABF-related research projects.

Deliverables	Timeframes
Publication of evidence-based Activity Based Funding related research	30 June 2017

(c) Support ABF education at a national level

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

In 2016-17, IHPA will continue to implement strategies to ensure that it is providing information that will assist in informing its stakeholders and support ABF education activities, through the provision of education tools and resources.

Deliverables	Timeframes
Implementation of strategies, tools and working papers to ensure that IHPA is providing information that will assist in informing its stakeholders	Ongoing

(d) Activity Based Funding Conference 2017

In 2016-17, IHPA will organise and promote the Activity Based Funding Conference 2017 in partnership with the Patient Classification Systems International, as a forum for the dissemination of ABF-related education, training and research.

The conference aims to provide high quality education in ABF and the underlying classification, costing and data collection systems to key health sector personnel. It will include major plenary sessions, concurrent smaller presentations, workshops / training, and networking activities.

Deliverables	Timeframes
Activity Based Funding Conference 2017	October 2017

Program objective 7

Management of the international sales of the AR-DRG system

IHPA assumed responsibility for managing the development and international sales of the AR-DRG patient classification system as the custodian of the Commonwealth's Intellectual Property in the AR-DRGs in 2012-13.

In 2016-17, IHPA will continue to manage the international sales of the AR-DRG system.

Deliverables	Timeframes
Management of the international sales of the AR-DRG system	Ongoing

Program objective 8

Resolution of cross-border disputes and assessments of cost-shifting disputes between jurisdictions

As outlined in Part 4.3 of the Act, IHPA has a role to investigate and make recommendations concerning cross border disputes and to make assessments of cost shifting disputes.

In 2012-13 IHPA developed the *IHPA Cross-Border and Cost-Shifting Dispute Resolution Framework* to guide timely, equitable and transparent processes to investigate both cross-border and cost-shifting disputes.

The Framework will be reviewed annually in consultation with all jurisdictions to ensure it remains current to sufficiently support IHPA's cross-border and cost-shifting dispute resolution role. This annual review will consider the manageability of the framework for all parties involved within the bounds of the prescribed legislative requirements.

Deliverables	Timeframes
Complete annual review of the *Cross-Border and Cost-Shifting Dispute Resolution Framework*	Ongoing

Appendix 1 – Extract of Section 225 of the Act

Outlined below is an extract of Section 225 of the Act prescribing IHPA to consult each financial year on the IHPA's work program.

225 Consultation on the Pricing Authority's work program

(1) At least once each financial year, the Pricing Authority must publish on its website a statement that:

(a) sets out its work program; and

(b) invites interested persons (including States and Territories) to make submissions to the Pricing Authority about the work program by a specified time limit.

(2) The time limit specified in a statement under subsection (1) must be at least 30 days after the publication of the statement.

Appendix 2 – Alignment of the IHPA Work Program 2016-17 to the functions prescribed in the Act

As prescribed in Section 131 of the Act, IHPA has the functions outlined in Table 1.

Table 1 – Alignment of Work Program to the IHPA functions

Subsection of the Act	Alignment with Work Program
(a) to determine the national efficient price for health care services provided by public hospitals where the services are funded on an activity basis;	1, 2
(b) to determine the efficient cost for health care services provided by public hospitals where the services are block funded;	1, 2
(c) to develop and specify classification systems for health care and other services provided by public hospitals;	3
(d) to determine adjustments to the national efficient price to reflect legitimate and unavoidable variations in the costs of delivering health care services;	1, 2
(e) to determine data requirements and data standards to apply in relation to data to be provided by States and Territories, including: (i) data and coding standards to support uniform provision of data; and (ii) requirements and standards relating to patient demographic characteristics and other information relevant to classifying, costing and paying for public hospital functions;	4
(f) except where otherwise agreed between the Commonwealth and a State or Territory—to determine the public hospital functions that are to be funded in the State or Territory by the Commonwealth;	1
(g) to publish a report setting out the national efficient price for the coming year and any other information that would support the efficient funding of public hospitals;	1, 2, 6
(h) to advise the Commonwealth, the states and the territories in relation to funding models for hospitals;	1, 2
(i) to provide confidential advice to the Commonwealth, the States and the Territories in relation to the costs of providing health care services in the future;	5
(j) such functions as are conferred on the Pricing Authority by Part 4.3 of this Act (cost-shifting disputes and cross-border disputes);	8
(k) to publish (whether on the internet or otherwise) reports and papers relating to its functions;	1, 2, 3, 4, 5, 6, 8

Subsection of the Act	Alignment with Work Program
(l) to call for and accept, on an annual basis, public submissions in relation to the functions set out in paragraphs (a) to (f);	The Annual Work Program
(m) such functions (if any) as are specified in a written instrument given by the Minister to the Chair of the Pricing Authority with the agreement of COAG;	As required, 5(e)
(n) to do anything incidental to or conducive to the performance of any of the above functions.	7 Others as required