

Mr James Downie  
Chief Executive Officer  
Independent Hospital Pricing Authority  
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Ref H22/18528

Dear Mr Downie

Thank you for the opportunity to comment on the Independent Hospital Pricing Authority's (IHPA) draft *Work Program and Corporate Plan for 2022-23*.

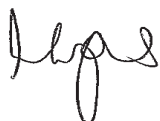
I acknowledge IHPA's work in maintaining and strengthening the national activity-based funding system for public hospital services. NSW largely supports the objectives IHPA has outlined in the draft Work Program. Please find a detailed response from NSW Health enclosed, with comments to assist project delivery and note where further detail and considerations should be included.

I note that a key focus of the recent National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2022-23 has been to refine the national pricing model for the ongoing impact of COVID-19.

I further note the advice in the March Jurisdictional Advisory Committee meeting papers that IHPA, in consultation with jurisdictions, will monitor and assess the appropriateness of key assumptions underpinning the NEP and NEC Determinations throughout 2022-23 as actual cost and activity data becomes available. NSW welcomes this important work and requests explicit inclusion of this in IHPA's Work Program for 2022-23.

If you would like more information, please contact Ms Sally Lee, Acting Executive Director, Government Relations Branch, NSW Ministry of Health, at [sally.lee1@health.nsw.gov.au](mailto:sally.lee1@health.nsw.gov.au) or on 9424 5947.

Yours sincerely



Dr Nigel Lyons  
**Deputy Secretary, Health System Strategy and Planning**  
01 April 2022

Encl. NSW Submission on the IHPA Draft Work Program and Corporate Plan 2022-23

Section	Comments
<b>Overall comments</b>	
<b><u>Impact of COVID-19</u></b>	
<ul style="list-style-type: none"> <li>• A key focus of the recent National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for 2022-23 has been to refine the national pricing model for the ongoing impact of COVID-19.</li> <li>• The NEP22 Determination states “If any of these assumptions do not eventuate in 2022–23, it may be necessary for this Determination to be reviewed based on actual cost and activity data as it becomes available” (p.10).</li> <li>• This is an important piece of work, and therefore NSW reiterates the request for IHPA to explicitly identify this work in the Work Program for 2022-23, including how IHPA will work with jurisdictions to monitor and assess the appropriateness of COVID assumptions underpinning the 2022-23 determinations.</li> </ul>	
<b><u>Data collection, management and reporting</u></b>	
<ul style="list-style-type: none"> <li>• The work program has implications on data collection, management and reporting. NSW requests assurance that ongoing collaboration between IHPA and the jurisdictions – as well as the National Health Data and Information Standards Committee (NHDISC) – will consider the cost benefit of changes.</li> <li>• Clear communications and definitions are always necessary, clarity around the role of IHPA’s working groups in scoping requirements versus groups such as the NHDISC is recommended.</li> <li>• NSW suggests IHPA works with jurisdictions to progress ongoing development of groupers and calculators to ensure consistent and timely implementation.</li> </ul>	
<b><u>Transparency</u></b>	
<ul style="list-style-type: none"> <li>• NSW requests greater clarity on timeframes and how deliverables will be measured, for example Strategic Objective 2 (d) (page 14), “Continue to explore recommencing a costing study...” How will this be measured and can an indicative timeframe be included?</li> </ul>	
<b>2. Key Activities</b>	
<b>Strategic Objective One: Perform pricing functions</b>	
Development of the Pricing Framework for Australian Public Hospital Services 2023–24	<ul style="list-style-type: none"> <li>• NSW notes the following areas were identified in the Pricing Framework 2022-23 but have not been included in the 2022-23 Work Program:               <ul style="list-style-type: none"> <li>○ IHPA will work with jurisdictions to refine the approach for private patient neutrality for NEP23 (p.20).</li> <li>○ IHPA will work with jurisdictions and broader stakeholders to consider the feasibility of exploring the following areas for future determinations:                   <ul style="list-style-type: none"> <li>▪ reinvestigate the need for an adjustment for patient transport in rural areas</li> <li>▪ review the Indigenous status adjustment</li> <li>▪ review the specified intensive care unit eligibility criteria</li> <li>▪ investigate the need for new adjustments for genetic services and socioeconomic status (p.19).</li> </ul> </li> <li>○ IHPA is working with jurisdictions to facilitate the transition of block-funded standalone hospitals providing specialist mental health services to ABF (p.27).</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>○ IHPA will undertake further consultation with jurisdictions and stakeholders to determine the feasibility of methodology changes for unqualified newborns in future determinations (p.20).</li> <li>● NSW seeks clarity on whether IHPA intends to pursue this work for 2022-23 and if so, requests inclusion in the Work Program.</li> </ul>
National Efficient Price and National Efficient Cost Determinations 2023–24	<p><b><u>Coronavirus diseases 2019 (p.9)</u></b></p> <ul style="list-style-type: none"> <li>● NSW requests IHPA clarify what is meant by “...without distorting the long-term application of the national pricing model.”</li> <li>● NSW notes IHPA’s response to feedback on the Pricing Framework 2022-23 and NEP22 that IHPA will assess the impact of this as updated data becomes available, and recommends IHPA include long COVID analysis as part of the Coronavirus disease 2019 work plan.</li> </ul>
Pricing and funding for safety and quality in the delivery of public hospital services	<p><b><u>Safety and quality evaluation framework (p.10)</u></b></p> <ul style="list-style-type: none"> <li>● NSW seeks clarification from IHPA on the proposed timeframe for IHPA to undertake the evaluation of existing safety and quality reforms, noting this will require close consultation with jurisdictions.</li> </ul>
<b>Strategic Objective Two: Refine and develop hospital activity classification systems</b>	
Mental health care	<p><b><u>Community mental health care (p.13)</u></b></p> <ul style="list-style-type: none"> <li>● Second paragraph states “IHPA intends to price community mental health using Australian Mental Health Care Classification (AMHCC) Version 1.0 for NEP23.” NSW recommends that IHPA continues their consultation as part of the Work Program 2022-23 to establish current views on shadow funding.</li> <li>● As per NSW’s response to the draft NEP22 and NEP22 Determinations, given the change in the funding model using a service contact-based cost model structure and in accordance with the Addendum to the National Health Reform Agreement 2020-25, recommencement of the two-year shadow period is warranted.</li> <li>● NSW recommends IHPA expand the Work Program to include a comparative analysis of the two shadow funding models used to date for community AMHCC.</li> </ul>
Subacute and non-acute care	<p><b><u>Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 5.0 (p.14)</u></b></p> <ul style="list-style-type: none"> <li>● Consistent with Clause A42 of the Addendum, the NEP23 classification should be AN-SNAP Version 4.0, since 2023-24 will be the second year of shadow pricing with AN-SNAP Version 5.0. Therefore, pricing of admitted subacute and non-acute care using AN-SNAP Version 5.0 should commence from NEP24, subject to assessment of the impact of shadow pricing.</li> </ul>
Non-admitted care	<ul style="list-style-type: none"> <li>● NSW recommends that a non-admitted costing study recommence as a matter of urgency.</li> </ul>
Teaching, training and research	<p><b><u>Research cost and activity data (p.15)</u></b></p> <ul style="list-style-type: none"> <li>● Deliverable (f) Teaching, training and research (page 15) - last sentence states, “...no further work is proposed for a research classification at this stage.”</li> </ul>

Section	Comments
	<p>However, IHPA currently deem this as part of compliance requirements to ensure availability of research data.</p> <ul style="list-style-type: none"> <li>NSW notes that asking for the same information year on year will not improve the quality of the data submission. NSW recommends that IHPA assess obstacles preventing good quality data submissions and once quality has improved, that IHPA highlight the future direction for research.</li> </ul>
<b>Strategic Objective Three: Refine and improve hospital costing</b>	
Australian Hospital Patient Costing Standards	<ul style="list-style-type: none"> <li>NSW requests further detail on the 'various components' to be reviewed (p.17).</li> </ul>
National Hospital Cost Data Collection for public and private hospitals	<ul style="list-style-type: none"> <li>NSW believes comments on the Secure Data Management System (p.17) are not reflective of NSW's experience. The Round 25 National Hospital Cost Data Collection submission process encountered some challenges.</li> <li>NSW does not believe the deliverables articulated in this Strategic Objective will produce the required cost information for activity-based funding purposes. NSW is happy to discuss this further with IHPA.</li> </ul>
National Hospital Cost Data Collection Independent Financial Review	<ul style="list-style-type: none"> <li>NSW strongly recommends that IHPA incorporate Independent Financial Review recommendations from previous years and action them in the 2022-23 Work Program.</li> </ul>
Costing private patients in public hospitals	<ul style="list-style-type: none"> <li>Whilst NSW remains committed the concept of private patient neutrality in the Addendum, NSW has raised ongoing concerns with the current methodology to implement this. NSW recommends IHPA suspend the pricing of private patients in public hospitals pending finalisation of an agreed methodology.</li> </ul>
Costing studies	<ul style="list-style-type: none"> <li>NSW recommends that investigation of the non-admitted cost components of organ donation, retrieval and transplantation be incorporated in the general non-admitted costing study. NSW further recommends that the general non-admitted costing study be prioritised.</li> </ul>
<b>Strategic Objective Four: Determine data requirements and collect data</b>	
Improvements to data submission, loading and validation processes	<ul style="list-style-type: none"> <li>Deliverable (d) Improvements to data submission, loading and validation processes (page 20) - comments in this section suggest that the Secure Data Management System (SDMS) is working well. NSW believes this is not the case for the National Hospital Cost Data Collection (NHCDC).</li> <li>NSW seeks further detail on options for the replacement of the SDMS and what improvements will be made in the interim.</li> <li>NSW is concerned that Strategic Objectives Three and Four do not include a deliverable about the Round 26 NHCDC submission, its refinement and ongoing improvement. This deliverable should at minimum include costing standards for how a COVID-19 normal will be costed.</li> </ul>
Promoting access to public hospital data	<ul style="list-style-type: none"> <li>NSW does not support the National Benchmarking Portal becoming available in its current form and the level of detail due to concerns with patient privacy and the potential misrepresentation of complex data.</li> </ul>