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Dear Dr Sherbon

AMA submission on IHPA Work Program 2015-16

Thank you for the opportunity to make a submission on the draft IHPA Work Program 2015-16.

The AMA considers the work program provides a useful overview of the activities and deliverables under the IHPA program objectives as stated.

The AMA has comments in relation to some elements of the work program and to IHPA's objectives and functions. These comments reflect the interests of clinicians and have been raised previously by the AMA in relation to earlier IHPA work programs and other documents. They are intended to enhance the value of the work program and the work to be delivered by IHPA in 2015-16, and thereby maximise the return on investment in ABF to the public hospital system.

The draft work program refers to matters identified in the National Health Reform Agreement that IHPA must have regard to in performing its functions¹. While some of these matters are explicitly addressed by activities in the work program, others are not.

The AMA would like to see more emphasis given in the work program to IHPA's statutory obligation to have regard to the need to ensure:

- reasonable access to public hospital services;
- effectiveness of the public hospital system; and
- financial sustainability of the public hospital system.

To meet this obligation, IHPA's work program should include activities explicitly focused on ensuring **access**, **effectiveness** (rather than efficiency alone), and **sustainability** of the **public hospital system** (not just the prices paid for hospital

¹ Clause B12 (a); also included in the legislation establishing IHPA, the *National Health Reform Act 2011*, s131 (3).

activities). At a minimum, the work program should clearly identify how these matters will be advanced by the activities IHPA is proposing to undertake in 2016-17.

As the AMA has emphasised in previous submissions, there is a need to ensure any classification and pricing work does not contribute to locking in place inadequate funding for public hospitals.

The Commonwealth's Budget papers have shown an ever reducing forecast of Commonwealth expenditure on public hospitals with year-on-year reductions in funding allocated to public hospitals for the next four year period.

In the 2014-15 Budget the Commonwealth Government reduced funding for public hospitals by \$1.8 billion to 2017-18, with further reductions of \$941 million in the December 2014 Budget update and \$423 million from 2015-16 to 2017-18 in the 2015-16 Budget. These reductions are assumed to relate directly to data on activity based funding in 2012-13 and 2013-14.

ABF should not mean that public hospitals have insufficient, or even diminishing, resources to meet community need for hospital services and to provide high quality services, in perpetuity.

An overriding focus on efficiency, un-tempered by considerations of access, effectiveness, and sustainability, does not seem consistent with the intentions of the legislation and not in the overall best interests of the public hospital system.

Low and declining prices for hospital services are no better guarantee of financial sustainability of the public hospital system than high and increasing prices for hospital services would be.

Consistent with the legislative obligation to have regard to safety, quality and effectiveness of the public hospital system, IHPA's work program must ensure that quality, outcomes of services and assessment of performance are treated as being as important as the unit price of hospital activities, and not simply omitted or traded off in a methodology that focuses overwhelmingly on reducing cost/price.

The quality activities flagged in the draft work program – relating to high priority hospital complications, pricing of hip fractures, and provision of data to clinical teams and hospital leaders - are worthwhile but by themselves will be insufficient to create certainty and assurance that the NEP properly funds high quality public hospital services.

Unless IHPA uses the next two financial years to get this sorted, Commonwealth funding on the basis of CPI and population growth will start from, and lock in, an inadequate funding and service quality base for public hospitals. Public hospitals will wear the consequences of this for years to come.

IHPA has done an admirable job of setting up ABF. The IHPA work program should also consider and provide advice to the health sector about how best to retain and ensure continuity of the valuable elements of ABF once the Commonwealth ceases to use ABF for determining Commonwealth funding for public hospitals from July 2017. This objective should include but extend well-beyond the ongoing ABF education and support activity currently flagged in the work program.

The AMA recognises that, by systematically identifying and classifying activities, ABF has the potential to provide a logical and consistent basis for monitoring hospital activity and identifying when funding shortfalls have a direct impact on patient care. In addition the sector should retain the ability to compare activities across and within hospitals and identify potentially unwarranted variations.

The AMA looks to the IHPA work program to acknowledge and explicitly address these needs, by including the following objective:

- to ensure that activity based capabilities to monitor the activity of the public hospital sector on a nationally consistent basis are maintained and enhanced.

The work program should also include a more explicit focus on quality and safety, by including Under Program objective 1, (b) Pricing for quality and safety in the delivery of public hospital services:

- develop mechanisms to complement activity based capabilities by including measures of quality, outcome and performance as attributes of public hospital services.

As a key stakeholder with a unique clinical perspective on specific issues relating to ABF, the AMA is happy to continue to engage with IHPA and provide comments on key documents such as IHPA's work programs.

The current implementation of ABF for public hospital services owes a great deal to your significant contribution as CEO IHPA. The AMA appreciates your commitment, dedication and accessibility in this role. On behalf of the AMA I wish you well in your future undertakings.

The contact in the AMA Federal Secretariat for this submission is Martin Mullane (ph 02 6270 5487, email mmullane@ama.com.au).

Yours sincerely



A/Prof Brian Owler
President

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