

Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2020-21

Submission from the Department of Health

The Department of Health (the department) welcomes the opportunity to provide comment on the *Consultation Paper on the Price Framework for the Australian Public Hospital Services 2020-21* (the Consultation Paper).

The department notes that the Independent Hospital Pricing Authority (IHPA) has sought comment on nine topics in the Consultation Paper, including:

1. Pricing Guidelines;
2. Scope of public hospital services;
3. Classifications used to describe and price public hospital services;
4. Setting the National Efficient Price for activity based funded public hospitals;
5. Data collection;
6. Treatment of other Commonwealth programs;
7. Setting the National Efficient Cost;
8. Alternate funding models; and
9. Pricing and funding for safety and quality.

This submission addresses the nine topics and the consultation questions posed in the Consultation Paper.

The department acknowledges the important work of IHPA in determining accurate and current pricing for Australian public hospital services. The department encourages IHPA to work closely with the Administrator of the National Health Funding Pool and the National Health Funding Body to quantify the impact of all suggested changes in the Pricing Framework.

The department strongly supports the promotion of value in healthcare through the exploration of alternative and innovative funding methods. A long-term reform agenda, such as that agreed to in the 2018 *Heads of Agreement between the Commonwealth and the States and Territories on public hospital funding and health reform* (Heads of Agreement), is foundational for a more sustainable system that drives value over volume and places patient outcomes at the centre of care.

The department is particularly concerned about the issue of private patients in public hospitals and ensuring that hospital pricing does not create perverse incentives for public hospitals that could lead to detrimental impacts on access to public hospital services by public patients.

Parties to the 2018 Heads of Agreement, have agreed on the need to examine the underlying drivers of growth of private patients in public hospitals. Parties have also agreed on the importance of developing reform initiatives to improve practices that support patient choice and access to public hospital services by all patients on the basis of clinical need.

The department has concerns about the effects of prioritising private patients on equitable access to public hospital services. The department encourages IHPA to update its Pricing Guidelines to emphasise that the principles underpinning the national funding model should not lead to perverse incentives, financial or otherwise, that encourage public hospitals to prioritise admitting private patients. This would complement the important principles of fairness and public-private neutrality already contained in the Pricing Guidelines.

On the issue of private patients in public hospitals, the department encourages IHPA to work with the states, the Administrator of the National Health Funding Pool, the department and other interested parties to ensure Commonwealth public hospital funding neutrality between public and private patients and remove incentives that target revenue from private patients.

The department also supports IHPA phasing out the private patient correction factor for the NEP 2020-21, following an assessment to ascertain that private patient costs in public hospitals are being accurately captured and reported.

The department is pleased that the key issues in the draft National Clinical Quality Registry (CQR) Strategy are also reflected in the Consultation Paper including access to public hospital data (6.3), unique patient identifiers (6.4), patient reported outcome measures (PROMS (6.5)), and value based health care (9). The department will continue to work on these important matters alongside IHPA and the Australian Commission on Safety and Quality in Health Care.

Pricing Guidelines

Are the Pricing Guidelines still relevant in providing guidance on IHPA's role in pricing Australian public hospital services?

Does the proposed addition to the Pricing Guidelines appropriately capture the need for pricing models to support 'value' in hospital and health services?

The department supports the Pricing Guidelines as being relevant in providing guidance on IHPA's role in pricing in-scope Australian public hospital services in a transparent and accountable manner.

The department supports the proposed addition within the Pricing Guidelines to promote value through alternative and innovative funding methods.

The department is of the view that pricing models to support 'value' in hospital and health services should be supported by evidence, including accurate data and cost benefit analysis, and be subject to in-depth evaluation. The department encourages IHPA to continue its work in this area, and supports the consideration of value-based funding models that deliver:

- improved health outcomes for consumers and patients;
- greater efficiencies in health and hospital systems;
- care in the safest and most appropriate setting;
- responsible and sustainable funding approaches; and
- greater transparency of costs.

Furthermore, the department suggests that the guideline of "Minimising undesirable and inadvertent consequences: Funding design should minimise susceptibility to gaming, inappropriate rewards and perverse incentives" should be expanded so that it explicitly includes consideration of how state pricing frameworks interact with the NEP.

Classifications used to describe and price public hospital services

What should IHPA prioritise when developing AR-DRG Version 11.0 and ICD-10-AM/ACHI/ACS Twelfth Edition?

The department supports IHPA identifying any additional areas for consideration in developing of the AR-DRG Version 11.0 classification system through its Clinical Advisory Committee and relevant working groups, to ensure it remains fit-for-purpose and reflects up-to-date clinical approaches.

The department recommends that IHPA consider developing a mechanism to review changes made to the AR-DRG Version 11.0 and ICD-10-AM/ACHI/ACS, and provides for mid-cycle adjustments if necessary where the introduction of these classifications has resulted in unanticipated outcomes in public hospital practice— for example, where the removal of an AR-DRG leads to public hospitals declining to provide a service or offer an adequate alternative due to a perceived reduction in funding. Currently, the only time to make revisions to new classifications is during the next cycle of development. The department is

aware of instances where a change in classification has resulted in public hospitals claiming that unforeseen consequences have disconnected the weighting of a service from the cost of its delivery. This has had negative impacts on public access to services where service provision has been reduced allegedly on the basis that classification changes are not commensurate with the NEP for the delivery of that service.

The department suggests IHPA give consideration to such a mechanism for reviewing classification changes for individual DRGs in the event of extraordinary occurrences of such circumstances to determine whether the classification and price is appropriately representative of the service without compromising predictability of funding.

Are there any impediments to implementing pricing using the AECC Version 1.0 for emergency departments from 1 July 2020?

The department does not foresee any impediments to implementing pricing using the AECC Version 1.0 for emergency departments, however, IHPA is encouraged to adopt appropriate shadow pricing implementation methods.

Are there any impediments to implementing pricing for mental health services using AMHCC Version 1.0 from 1 July 2020?

The department does not foresee any impediments to implementing pricing for mental health services using AMHCC Version 1.0 from 1 July 2020. The department notes the substantial effort of IHPA to ensure a sufficient and accurate model is developed in time for its implementation.

Setting the National Efficient Price for activity based funded public hospitals

Are there adjustments for legitimate and unavoidable cost variations that IHPA should consider for NEP20?

The department supports the harmonisation of price weights across admitted acute and non-admitted settings and encourages IHPA to continue to apply this harmonisation across similar services.

Is there any objection to IHPA phasing out the private patient correction factor for NEP20?

The department is supportive of the phasing out the private patient correction factor for the NEP20.

Data collection

Do you support IHPA making the NBP publicly available, with appropriate safeguards in place to protect patient privacy?

The department strongly supports making the NBP publicly available. The public provision of public hospital information supports the COAG Health Council-agreed reform of empowering people through health literacy.

What initiatives are currently underway to collect PROMs and how are they being collated?

There are a number of Clinical Quality Registries (CQRs) that are collecting PROMS. This includes the Prostate Cancer Outcomes Registry, which collects PROMS relating to bowel, urinary and sexual functions. The draft National CQR Strategy aims to facilitate further CQR collection of PROMs and Patient-reported experience measures (PREMs) as well as the provision of integrated clinical and patient feedback to clinicians. This would contribute to patient-centred care and the delivery that matter to patients.

The department notes that PROMs are also being considered for inclusion into the new Australian Health Performance Framework as measures for potential development to inform assessments of the appropriateness and safety of care.

Should a national PROMs collection be considered as part of national data sets?

The department is supportive of a national PROMs collection as part of national data sets as it would assist in the facilitation of patient-centred care and outcomes that matter to patients.

Setting the National Efficient Cost

Are there any impediments to shadow pricing the 'fixed plus variable' model for NEC20?

The department supports the shadow pricing of a 'fixed plus variable' model for NEC20 for Small Rural Hospitals. The department commends IHPA on the continued transition of appropriate services from block funded model calculations to the ABF model. The department looks forward to this continuing transition of services to improve the efficiency and transparency of public hospital services in Australia.

Alternate funding models

Are there any additional alternative funding models IHPA should explore in the context of Australia's existing NHRA and ABF framework?

The department supports the proposed alternative funding models for exploration in the context of the existing NHRA and ABF framework, and at this time does not propose any additional funding models.

IHPA proposes investigating bundled payments for stroke and joint pain, in particular knee and hip replacements. Should any other conditions be considered?

The department supports IHPA's proposal to investigate the bundled payments for stroke and joint pain. The department suggests IHPA may also consider investigating bundled payment models for palliative care.

Pricing and funding for safety and quality

Is IHPA's funding approach to HACs improving safety and quality, for example through changing clinician behaviour and providing opportunities for effective benchmarking?

The department commends IHPA's funding approach to hospital-acquired complications (HACs) and notes the analysis by IHPA on improvements made for safety and quality, including that there has been a downward trend in the number of HACs per 100 separations across almost all jurisdictions from 2016-17 to the first half of 2018-19.