



Media release

8 June 2022

Pricing Framework for Australian Public Hospital Services open for public consultation

The Independent Hospital Pricing Authority (IHPA) today released its [Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2023–24](#) (the Consultation Paper).

The consultation is open to the public for 30 days. All stakeholders are invited to provide feedback on the proposed policy approach between Wednesday 8 June to Friday 8 July 2022.

The Consultation Paper is a key mechanism for providing input on the policy approach adopted by the agency to determine the national efficient price (NEP) and national efficient cost (NEC), which play a crucial role in calculating the Commonwealth funding contribution to Australian public hospitals for the 2023–24 financial year.

This year's consultation seeks feedback on the agency's approach to account for the impacts of Coronavirus disease 2019 (COVID-19), refinements to the national pricing model, and opportunities for states and territories to trial innovative funding models that have the potential to create better incentives for improved continuity of care.

Responding to the needs of the health system

In 2021, IHPA prioritised undertaking early analysis of the impacts of the COVID-19 pandemic based on 2019–20 activity data to ensure that the national pricing model accurately reflected variations in costs, activity, and how patients access public hospital services.

The analysis of the 2019–20 activity data demonstrated that despite the substantial reduction of hospital episodes in March to June 2020, which coincided with the onset of national lockdowns and the cancellation of elective surgeries, hospital expenditure remained relatively stable throughout the COVID-19 impacted period.

IHPA has conducted extensive consultation with jurisdictions, alongside the analysis of 2019–20 activity data, to inform the key policy considerations that account for the variations in activity and cost data impacting the national pricing model, however it acknowledges that it is not possible to definitively account for the ongoing impacts that COVID-19 may have on hospital service delivery and costs.

IHPA will continue to work closely with jurisdictions and key stakeholders to ensure that the national pricing model continues to reflect variations in activity and cost, and current models of care, ahead of analysing a full financial year of data impacted by the response to the pandemic for 2023–24.

Through this consultation, IHPA is seeking feedback on its approach to accounting for the impacts of COVID-19 on 2020–21 activity and cost data as the agency analyses the assumptions applied in the NEP Determination 2022–23 (which was released in March 2022).

‘While accounting for the impact of COVID-19 will remain a priority for IHPA in developing the 2023–24 Determination, IHPA will consider reinvestigating other initiatives where there is sufficient data available for pricing model refinements,’ said Mr David Tune AO PSM.

IHPA will continue to monitor and assess the longer term impacts of COVID-19 in consultation with jurisdictions and key stakeholders as updated activity and cost data becomes available.

Supporting long-term health reform through future funding models

Mr David Tune AO PSM, Chair of IHPA, invites interested parties to provide feedback on the future direction of health funding reforms that should be considered for 2023–24.

‘The current funding system has the potential to improve continuity of care,’ said Mr David Tune AO PSM. ‘IHPA is working towards designing innovative funding approaches that begin to trial the prioritisation of preventing hospitalisations and supporting the delivery of services across multiple settings of care at a community level.’

The Addendum to the National Health Reform Agreement 2020–25 enables IHPA to assess the most effective service response, particularly for patients with complex and chronic health conditions through funding models other than activity based funding, such as bundled payments and capitation models.

Mr David Tune AO PSM notes, ‘We have seen the health sector respond to the needs of communities under immense pressures relating to capacity, restrictions and complex conditions that require tailored interventions – with the support of jurisdictions, and health professionals that are willing to share their feedback through consultations such as this, our investigation into alternative models can be targeted and support initiatives that are patient-centred, and lead to better health outcomes, reduced costs and an improved patient experience.’

The agency is currently considering how the funding model can better support the use of virtual care in patient settings such as emergency departments, specialist access programs and mental health responder programs, as well as care pathways that are not well defined and may extend over many years (for example, chronic kidney disease).

‘We hope to be able to facilitate a move towards programs of care that empower patients, communities and service providers through locally-controlled solutions that take a value-based care approach that is both sustainable and efficient,’ concluded Mr David Tune AO PSM.

While IHPA considers that activity based funding will continue to be the best pricing and funding mechanism for many hospital services, IHPA has commenced engaging with the National Health Reform Agreement Reform Implementation Group, jurisdictions, and the healthcare sector more broadly, to facilitate the implementation of innovative funding models through bilateral agreements with the Commonwealth.

Independent Hospital Pricing Authority

Submissions

Feedback gathered in this public consultation process will be used to inform the policy decisions in the Pricing Framework for 2023–24, which will be released in December 2022 ahead of the release of the NEP and NEC Determinations 2023–24, which will be released in March 2023.

Submissions can be emailed to submissions.ihpa@ihpa.gov.au or posted to PO Box 483, Darlinghurst NSW 1300 by 5pm AEST on Friday 8 July 2022.

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More information or media enquiries

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About the Independent Hospital Pricing Authority

The Independent Hospital Pricing Authority (IHPA) is an independent government agency established under Commonwealth legislation as part of the National Health Reform Agreement (NHRA), which sets out the intention of the Australian Government and state and territory governments to work in partnership to improve health outcomes for all Australians.

In May 2020, the Commonwealth and all state and territory governments signed an Addendum that amends the NHRA and reaffirms IHPA's primary function to enable the national activity based funding and block grant funding systems through the annual determination of the national efficient price (NEP) and national efficient cost (NEC).

The NEP and NEC Determinations play a crucial role in calculating the Commonwealth funding contribution to Australian public hospital services, and offer a benchmark for the efficient cost of providing those services as outlined in the NHRA.

IHPA conducts an annual public consultation on the Pricing Framework for Australian Public Hospital Services (Pricing Framework) in order to ensure the policy decisions adopted by the agency which will underpin the determination of the NEP and NEC for Australian public hospital services increase transparency in public hospital funding and consider broad stakeholder views.

The [Federal Budget 2021–22](#) was delivered on 11 May 2021 and contains two significant measures that impact IHPA's current role of pricing for public hospital services.

The first measure, in response to the [Royal Commission into Aged Care Quality and Safety](#), is the expansion of IHPA, which will be renamed the Independent Hospital and Aged Care Pricing Authority.

Under this measure, IHPA will inform Australian government decisions on annual funding increases in residential aged care from 1 July 2023. IHPA will also have a role in home aged care pricing advice from 1 July 2023.

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The second measure involves working with the Department of Health and key stakeholders to support reform to the Prostheses List to reduce the cost of medical devices used in the private health sector and streamline access to new medical devices.

Scope of this consultation

This Consultation Paper will only apply to the development of the NEP and NEC for Australian public hospital services in 2023–24. A separate pricing framework for pricing Australian residential aged care services will be developed and released later in 2022.

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