

Non-admitted home ventilation and maternity services

On 24 August 2017, the Commonwealth Minister for Health issued a Direction to IHPA under subsection 226(1) of the National Health Reform Act 2011 in relation to a number of changes to the classification, counting and scope of non-admitted activity in 2014-15 and 2015-16.

IHPA was directed to take steps to ensure that changes introduced to classification systems or costing methodologies across all activity based funding service categories are effectively back-cast, and to ensure that the introduction of changes in the non-admitted service category do not have a unintended impact on the calculation of efficient growth for the 2015-16 financial year. In undertaking this work, the Direction states that IHPA may consider development of a methodology, or methodologies, for the Administrator of the National Health Funding Pool to consider in the calculating the final funding entitlement for the 2015-16 financial year.

IHPA has consulted with all jurisdictions and the Administrator of the National Health Funding Pool and has issued the following statement in response.

Home ventilation services

In 2014-15, home ventilation services were block funded. Only patients who required ventilation 24 hours per day met the definition of the non-admitted Tier 2 clinic 10.19: *Ventilation – home delivered* for funding purposes. In 2015-16, home ventilation services were moved to ABF. The price was determined on the basis of a costing study undertaken for IHPA that considered the costs of patients who required ventilation 24 hours per day.

In parallel, the definition of the clinic was changed to include patients who were ventilated overnight and would be at risk of a hospital admission if they were not ventilated.

An unintended consequence of this change in definition was that a significant number of lower complexity service events were added to the clinic 10.19, however the service event price was set at the same level as those patients receiving 24 hour ventilation calculated by the original costing study.

This interplay of pricing and classification changes effectively led to increased National Weighted Activity Units (NWAU) activity beyond what was intended by the movement of 24 hour ventilation to activity based funding. IHPA has concluded that this has led to an inflated level of NWAU activity, well in excess of costs of delivering some home ventilation services, in particular for those who do not require 24 hour ventilation, but are captured by the changed definition of clinic 10.19.

The Administrator of the National Health Funding Pool has advised that the total activity for home ventilation services in 2015-16 comprised 9,303 service events, resulting in 46,914 NWAU¹⁵, or \$233,210,537 in total funding.

To address the error arising from the interplay of pricing and classification changes for the future, the Pricing Authority has determined that home ventilation services will be block funded in 2018-19, based on actual costs to be provided by states and territories.

However, this does not address the Commonwealth funding impact to states and territories in 2015-16, 2016-17, and 2017-18.

As there is no reliable price weight data for this expanded clinic that reflects the different costs of the 24 hour ventilated group and the overnight ventilated group, IHPA concludes that block funding would have provided a more accurate means of funding home ventilation services over this period, based on the actual cost of service delivery.

Non-admitted home ventilation and maternity services

Tables 1 and 2 provide information on expenditure for home ventilation services in 2015-16, 2016-17 and 2017-18. All states and territories have provided advice to IHPA on expenditure on home

ventilation services in 2017-18. In addition, some jurisdictions provided advice on expenditure in 2015-16 and 2016-17. This is presented in Table 1.

Table 1: Expenditure for home ventilation services as advised by states and territories

	2015-16	2016-17	2017-18
Queensland	\$10,850,057	\$13,229,072	\$15,221,785
South Australia	\$3,208,350	\$3,175,851	\$1,853,479
Western Australia	\$8,920,000	\$10,680,000	\$11,941,321

Where states and territories have not provided expenditure amounts for 2015-16 and 2016-17, IHPA has calculated the total estimated expenditure for home ventilation services for these years. 2016-17 expenditure is based on 2017-18 amounts deflated by the National Efficient

Cost Determination 2017-18 (NEC17) indexation rate of 4.7 per cent, and 2015-16 expenditure is based on the 2016-17 estimates, deflated by the NEC16 indexation rate of 5.1 per cent. These amounts are presented in Table 2.

Table 2: Estimated expenditure for home ventilation services

	2015-16 (estimated)	2016-17 (estimated)	2017-18 (advised)
New South Wales	\$16,930,113	\$17,793,549	\$18,629,846
Victoria	\$9,572,000	\$10,060,172	\$10,533,000
Tasmania	\$2,271,907	\$2,387,775	\$2,500,000
Northern Territory	\$67,794	\$71,251	\$74,600
Australian Capital Territory	\$1,135,447	\$1,193,355	\$1,249,443

Non-admitted maternity services

In 2014-15, there were two non-admitted maternity clinics – Tier 2 clinic 20.40: *Obstetrics*, and Tier 2 clinic 40.28: *Midwifery and maternity*.

In 2015-16, two new maternity classes were introduced to the Tier 2 non-admitted classification in order to reflect the higher complexity of some maternity patients – Tier 2 clinic 20.53: *Obstetrics – management of complex pregnancy*, and Tier 2 clinic 20.54: *Maternal fetal medicine*.

The Administrator of the National Health Funding Pool has requested advice from IHPA on how the introduction of these clinics should be back-cast for 2014-15 for

the purpose of calculating Commonwealth growth funding in 2015-16.

IHPA has developed a methodology and provided this to the Administrator. The impact of applying this methodology at a jurisdictional level is shown below. IHPA has used aggregate data to calculate the service event numbers in Table 3, and notes that as the Administrator uses a combination of aggregate and patient-level data, their counts may vary slightly.

The number of service events in 2014-15 for clinics 20.40, 20.53 and 20.54 in Table 2 has been estimated by apportioning the total service event count for clinic 20.40 using the proportion of service events for the three clinics as reported in 2015-16 at a state level.

Table 3: Estimated number of service events for Tier 2 clinics 20.40, 20.53 and 20.54

	Tier 2 clinic	2014-15 reported	2014-15 back-cast	2015-16
New South Wales	20.40	318,850	186,296	157,687
	20.53		122,669	103,831
	20.54		9,885	8,367
Victoria	20.40	231,545	104,779	107,583
	20.53		114,816	117,888
	20.54		11,950	12,270
Queensland	20.40	99,777	81,498	89,722
	20.53		16,088	17,711
	20.54		2,191	2,412
South Australia	20.40	68,879	48,967	38,963
	20.53		19,374	15,416
	20.54		538	428
Western Australia	20.40	77,290	41,744	45,996
	20.53		31,634	34,856
	20.54		3,912	4,311
Tasmania	20.40	7,626	6,504	6,586
	20.53		1,067	1,080
	20.54		55	56
Northern Territory	20.40	15,864	11,007	10,632
	20.53		4,857	4,692
	20.54		0	0
Australian Capital Territory	20.40	5,176	3,648	3,795
	20.53		407	423
	20.54		1,122	1,167