

Independent Hospital Pricing Authority

Alterations to the National Pricing Model Framework

March 2021



IHPA

Alterations to the National Pricing Model Framework – Version 1.0 – March 2021

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Acronyms and abbreviations

ABF	Activity based funding
AHMAC	Australian Health Ministers' Advisory Council
AHPCS	Australian Hospital Patient Costing Standards
CAC	Clinical Advisory Committee
CHC	Council of Australian Governments Health Council
HSPC	Health Services Principal Committee
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
NEC	National efficient cost
NEP	National efficient price
NHRA	National Health Reform Agreement
NMDS	National Minimum Data Set
TAC	Technical Advisory Committee
The Addendum	Addendum to the National Health Reform Agreement 2020–25
The Administrator	Administrator of the National Health Funding Pool
The Framework	Alterations to the National Pricing Model Framework

Definitions

Activity based funding	Refers to a system for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the Independent Hospital Pricing Authority (IHPA), as outlined in the Addendum to the National Health Reform Agreement 2020–25 (the Addendum).
	An activity based funding activity may take the form of a separation, presentation or service event.
National funding bodies	Collective term for the Independent Hospital Pricing Authority, the National Health Funding Body and the Administrator of the National Health Funding Pool.
National funding model	Means the calculation, payment and reconciliation of Commonwealth national health reform funding entitlements for health services, by the Administrator of the National Health Funding Pool (the Administrator) applying the agreed methodology, business rules and policies. This is calculated from activity based funding based on National Weighted Activity Units and IHPA's national efficient price (NEP) determination, and block funding calculated from the IHPA's national efficient cost determination.
	The agreed methodology, business rules and policies include the activity based funding formula, the Administrator's Calculation of Commonwealth National Health Reform Funding and associated operational documents, IHPA's Pricing Framework for Australian Public Hospital Services and national pricing model specifications, classification systems, counting rules, data, coding and costing standards.
National pricing model	The pricing model is produced annually by IHPA and defines the NEP, price weights and adjustments based on cost and activity data from three years prior. For more detail, refer to the link below to the <i>National Pricing Model Technical Specifications</i> .
	https://www.ihoa.gov.au/what-we-do/pricing/national-pricing-model-technical-specifications
Parties	Refers to the signatories to the Addendum, being the Commonwealth and each State and Territory.
Pricing Authority	The governing body of IHPA established under the <i>National Health Reform Act 2011</i> (Cwlth).

1. Executive summary

1.1 Overview

The National Health Reform Agreement (NHRA), signed in August 2011, specified that the Independent Hospital Pricing Authority (IHPA) is to develop, refine and maintain systems as necessary to calculate the national efficient price (NEP), including determining classifications, costing, data elements and data collections.

The Addendum to the NHRA 2020–25 (the Addendum), signed by all Australian governments in May 2020, further defined IHPA's role in public hospital funding arrangements, particularly when considering changes to the national pricing model and its application to the national funding model.

The national pricing model is produced annually by IHPA and defines the NEP, price weights and adjustments based on cost and activity data from three years prior. The national pricing model is derived from activity based funding (ABF) based on National Weighted Activity Units (NWAU) and IHPA's NEP determination and block funding calculated from IHPA's national efficient cost (NEC) determination.

1.2 Provisions under the Addendum

The Addendum outlines provisions relating to the consultation processes IHPA is required to undertake with all nine jurisdictions for proposed changes in the national funding model, with special reference to the processes for changing ABF classifications and costing methodologies.

Clause B10 of the Addendum provides that the national funding bodies will consult with the Council of Australian Governments Health Council (CHC) on changes that materially impact the application of the national funding model. Such consultation will be in addition to specific consultation requirements and processes with Parties set out in this Addendum.

Under clause B11, the national funding bodies must consult with affected Parties and provide relevant analysis and documentation on decisions that could materially impact Parties before releasing draft or final advice on the matter.

Clause B13 of the Addendum states that the Commonwealth or two or more States may request that the national funding bodies present for Health Ministers' consideration a final or draft business rule, decision or determination that affects the national funding model or the calculation of the Commonwealth funding contribution.

Clause A42 of the Addendum requires IHPA to use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study, for two years or a period agreed with the Commonwealth and a majority of States.

Clauses B37 and B38 of the Addendum outline the consultation requirements whereby IHPA must seek guidance from Parties, through the Jurisdictional Advisory Committee (JAC), when implementing changes to the national funding model that will impact the way services are delivered and provide a Statement of Impact when material changes or significant transitions are proposed to the national funding model.

Full extracts from the Addendum are provided at [Appendix A](#).

1.3 Purpose

The purpose of the Alterations to the National Pricing Model Framework (the Framework) is to outline the guiding principles and consultative processes associated with changes that materially impact the application of the national funding model.

The Framework is intended to facilitate the engagement and participation of jurisdictions in the consultation process, through the IHPA JAC and Technical Advisory Committee (TAC), particularly in identifying operational and clinical implications of proposed changes. In order to maintain accurate and effective pricing of public hospital services, IHPA must ensure the consultation process is completed in a timely and predictable manner, to allow sufficient notification for implementation of changes.

This Framework is to be applied in conjunction with the following IHPA policies:

- Assessing Materiality of Changes Proposed to the National Pricing Model
- National Pricing Model Stability Policy
- Back-casting Policy.

1.4 Review

The Pricing Authority and Chief Executive Officer of IHPA will review this Framework, including associated documentation, annually or as required.

2. Key principles

Under the Addendum, IHPA is required to seek guidance from the Parties, which refers to the signatories to the Addendum, being the Commonwealth and each state and territory, when implementing changes to the national funding model that will impact the way services are delivered.

2.1 Framework guiding principles

In determining the NEP and NEC for health care services provided by public hospitals, IHPA ensures these decisions are evidence-based and use the latest cost and activity data supplied by states and territories. IHPA balances a range of policy objectives including improving the efficiency and accessibility of public hospital services.

The Framework signals IHPA's commitment to transparency and accountability as it undertakes this work. IHPA and the jurisdictions will also be guided by the following principles and responsibilities in addressing the policy intent behind the national funding model and the consultative mechanisms associated with its alteration.

Overarching principles to inform the policy intent behind the consultation process for alterations to the national funding model
<p>Accurate pricing of services:</p> <p>The accuracy and responsiveness of IHPA's pricing processes will not be adversely affected by the additional procedures in place for consulting on proposed changes to the national funding model.</p>
<p>Engagement:</p> <p>IHPA will actively engage and involve all nine jurisdictions in the consultative processes for altering the national funding model.</p> <p>Jurisdictions will actively participate in the consultation process for proposed changes to the national funding model.</p>
<p>Transparency:</p> <p>Jurisdictions will be able to reliably anticipate outcomes of new processes associated with national funding model changes through provision of technical details and clear policy objectives by IHPA.</p> <p>Jurisdictions will work with IHPA to identify potential risks and notify IHPA of unforeseen impacts identified as a result of application of the national funding model.</p>
<p>Predictability:</p> <p>The pricing processes will be consistent and predictable to allow meaningful participation from jurisdictions and result in minimal disruptions to implementation of changes.</p>
<p>Flexibility:</p> <p>Jurisdictions will be facilitated in making reforms to individual models of care and trialling innovative funding models.</p>

Process principles to guide the timing of the jurisdictional notification and consultation process
Early notification:
<p>IHPA will notify jurisdictions as early as possible of proposed changes to the national funding model to allow for meaningful contribution and smooth implementation.</p> <p>Jurisdictions will notify IHPA as early as possible when intending to trial an innovative funding model, request for CHC guidance to be sought or escalate a funding policy issue.</p> <p>IHPA and jurisdictions will also notify each other as early as possible of any impacts they may have identified.</p>
Timeliness:
<p>Processes will be timely to ensure effective and current pricing of public hospital services and, where possible, be aligned with jurisdiction budget cycles to minimise disruptions.</p> <p>Jurisdictions will respond to consultation requests and facilitate the provision of required data in a timely manner, to minimise delays in the consultation process.</p>
Impact principles to ensure consideration of all potential impacts of proposed alterations to the national funding model
Clinical and operational implications:
<p>IHPA will consider and address potential clinical and operational consequences resulting from proposed changes that extend beyond financial implications.</p> <p>Jurisdictions have a mutual obligation to advise IHPA of any anomalies, risks or potential clinical or operational impacts that have been identified as a consequence of proposed changes to the national funding model.</p>

3. Process for alterations to the national funding model

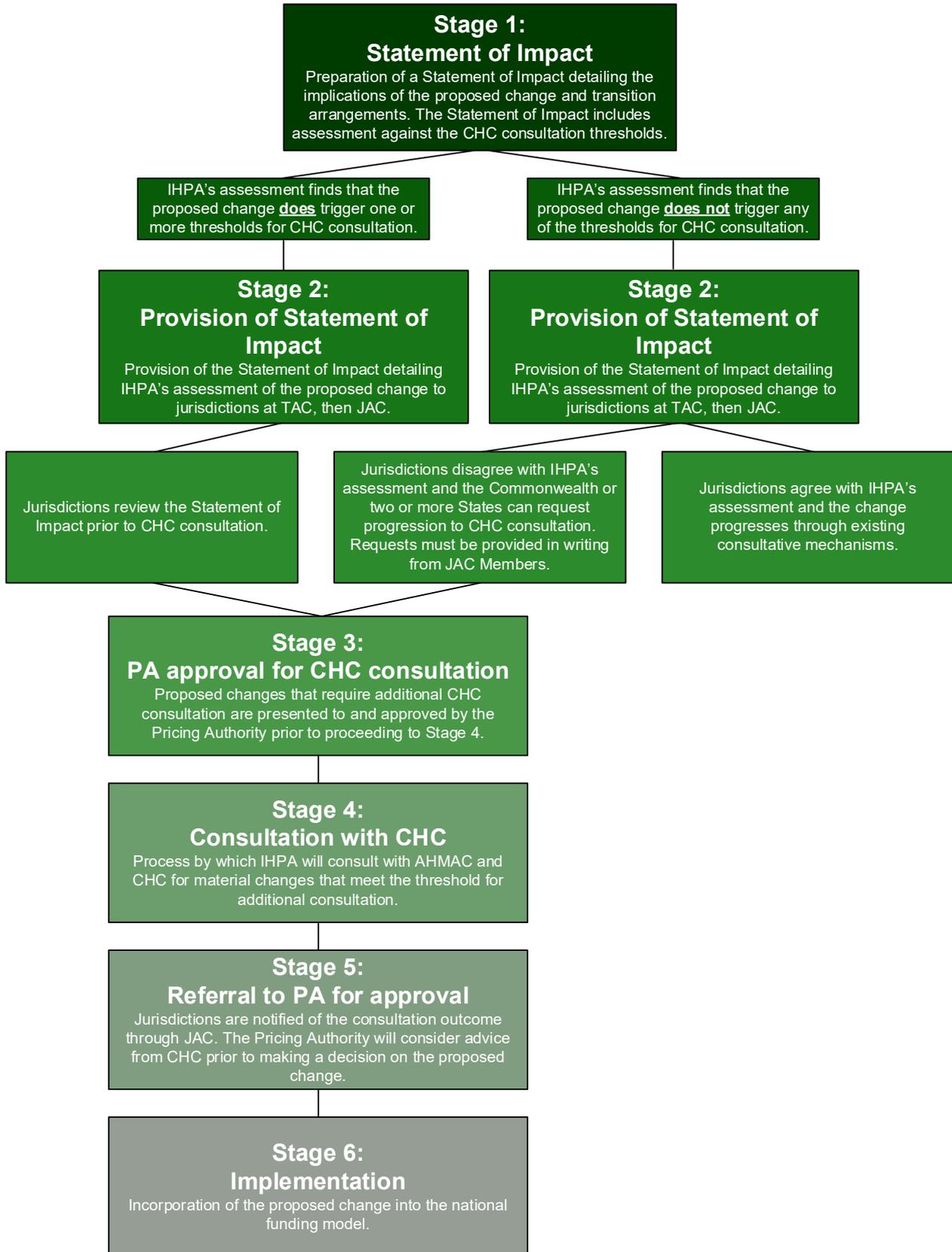
3.1 Overview

Under the Addendum, IHPA is required to seek guidance from Parties, through the IHPA JAC and TAC, when implementing changes to the national funding model that will impact the way services are delivered. Parties may escalate a funding policy issue to the Health Services Principal Committee (HSPC), the Australian Health Ministers' Advisory Council (AHMAC) or CHC¹ for consideration.

To facilitate this, IHPA has developed the following process for alterations to the national funding model, in alignment with the principles discussed in Chapter 2.

¹ The Council of Australian Governments has been disbanded, and the ongoing status of CHC is to be determined at a future time.

Figure 1. Process for assessment and consultation of changes to the national funding model



4. Statement of Impact

4.1 Statement of Impact

Clause B38 of the Addendum states that IHPA must provide a Statement of Impact to Parties when material changes or significant transitions are proposed to the national funding model, including changes that will have a major impact on any one party or materially redistribute activity between service streams.

Clause B39 of the Addendum provides that the Statement of Impact must be timely in relation to the matter raised and:

- a. include a risk assessment of the proposed changes or adjustments
- b. outline appropriate transition arrangements
- c. be informed by consultation with the Parties; and
- d. have input from the Administrator of the National Health Funding Pool (the Administrator).

IHPA will utilise the Statement of Impact to inform jurisdictions of all proposed changes to the national funding model. A Statement of Impact will be prepared for each proposed change and be provided to jurisdictions through IHPA's TAC, then JAC.

The Statement of Impact form to be utilised by IHPA is attached at [Appendix B](#).

4.2 Overall scope

4.2.1 Materiality of proposed changes

IHPA has developed a set of thresholds to determine what constitutes a material change or a significant transition requiring additional CHC consultation. All proposed changes and adjustments to the national funding model will be assessed against the thresholds to ensure that the pricing process remains reactive and transparent. The proposed changes and adjustments that trigger one or more of the established thresholds will undergo additional CHC consultation.

The thresholds are discussed further in Chapter 5.

4.2.2 Risk assessment

The risk assessment included in the Statement of Impact will assess the benefits and risks associated with the proposed change across different risk categories. IHPA will assess the likelihood of the identified risks occurring and address how the risks will be mitigated and managed.

4.2.3 Transition arrangements

The Statement of Impact provides the transition arrangements associated with the proposed change, including whether the change will require shadow pricing.

Further detail around the requirements for transitional arrangements is provided in Chapter 6.

4.2.4 Consultation pathway

The purpose of the Statement of Impact is to inform jurisdictions of all proposed changes to the national funding model. The Statement of Impact includes IHPA's assessment of whether the proposed change triggers the requirement for additional CHC consultation.

If jurisdictions disagree with IHPA's assessment of a proposed change and the necessity of additional CHC consultation, the Statement of Impact provides the avenue for the Commonwealth or two or more states to instigate the pathway for additional CHC consultation. Any requests for additional consultation must be provided in writing from JAC Members.

The consultation process is discussed further in Chapter 5.

4.2.5 Input from the Administrator

The Addendum requires IHPA to consult the Administrator over the content of the Statement of Impact. The Statement of Impact will include input from the Administrator regarding the proposed change.

4.3 Seeking guidance from jurisdictions

All proposed changes and adjustments to the national funding model, even those that do not trigger any of the thresholds for additional CHC consultation, will still see the provision of a Statement of Impact and normal consultative mechanisms through TAC, then JAC.

The Statement of Impact ensures that guidance is sought from the jurisdictions when IHPA proposes changes to the national funding model that will impact the way services are delivered, as stipulated by clause B37 of the Addendum.

Additionally, Parties may escalate a funding policy issue at any stage to the HSPC, AHMAC or CHC for consideration.

5. Threshold for CHC consultation

5.1 Requirements under the Addendum

Clause B10 of the Addendum states that given the significance to all Parties of the functions discharged by the national funding bodies, the bodies will consult with CHC on changes that materially impact the application of the national funding model.

In fulfilling the intent behind this clause, IHPA has developed a set of thresholds for assessing whether a proposed change is sufficiently material to warrant additional consultation with the CHC.

5.2 Thresholds for additional consultation

The thresholds aim to capture proposed changes that represent a significant departure from IHPA's established annual processes or a material impact on the national funding model that requires consultation beyond IHPA's existing consultative mechanisms with the jurisdictions.

As such, each change proposed by IHPA will be assessed against the thresholds to determine if the change is material to require IHPA to initiate additional consultation. This assessment will be included as part of the Statement of Impact and be provided to jurisdictions for each proposed change.

Changes that are assessed to trigger one or more of the thresholds will undergo additional consultation with CHC. Changes that do not meet a threshold for additional consultation will still undergo the normal consultative mechanisms with the jurisdictions through IHPA's JAC and TAC. However, if a majority of jurisdictions disagree with IHPA's assessment, the proposed change can be escalated to undergo additional CHC consultation.

The thresholds for IHPA to initiate additional CHC consultation are outlined below.

Pricing changes	
<p>Pricing impact on funding projected to be more than 0.5 per cent at a national level.</p> <p>To be assessed separately, not cumulatively, if other changes have been proposed concurrently.</p>	<p>Exceptions:</p> <ul style="list-style-type: none"> Changes that IHPA is directed to implement².
<p>Pricing impact on funding projected to be more than 2 per cent on any one jurisdiction.</p> <p>To be assessed separately, not cumulatively, if other changes have been proposed concurrently.</p>	

² Changes that arise from a prior arrangement with the jurisdictions, where jurisdictions have substantively agreed to implement a change. That is, where IHPA is required to implement a change under the Addendum of which the jurisdictions are signatories, such as implementation of a pricing model for avoidable hospital readmissions and the directive for private patient neutrality.

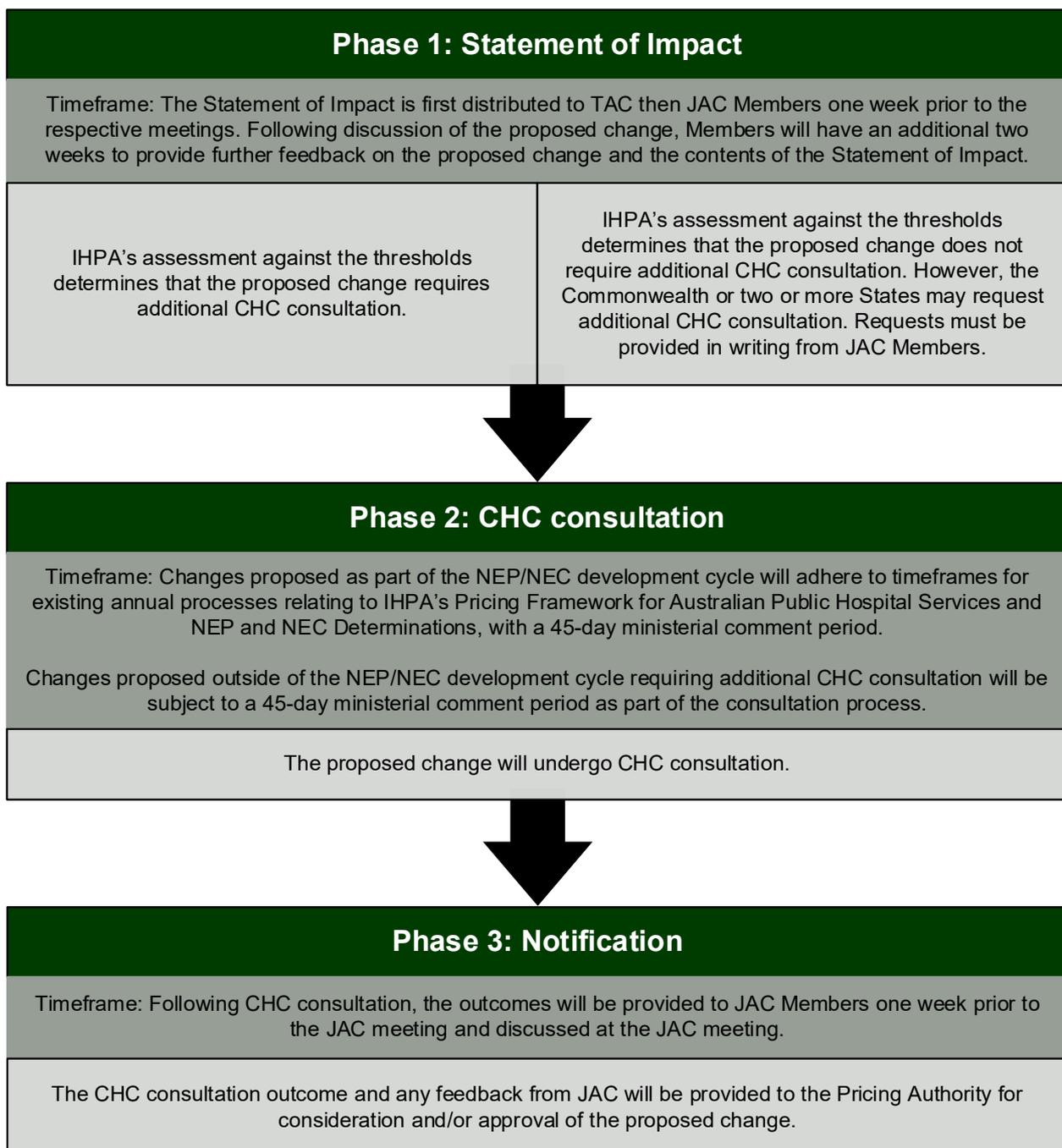
Costing methodology changes				
<p>Major changes to costing methodologies.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Introduction of new version of costing standards (such as the Australian Hospital Patient Costing Standards (AHPCS) Version 4.0) • Introduction of a new standard, business rule or costing guideline within the AHPCS. 	<p>Exceptions:</p> <ul style="list-style-type: none"> • Nil. 			
New classifications and structural changes				
<p>All new classifications.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Australian Emergency Care Classification (AECC) Version 1.0 • Australian Mental Health Care Classification (AMHCC) Version 1.0 • Replacement of International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), with International Classification of Diseases 11th Revision (ICD-11). 	<p>Exceptions:</p> <ul style="list-style-type: none"> • Nil. 			
<p>Major structural change to existing classifications or major structural change to new versions of classifications.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Implementation of brand new data elements in existing or new versions of classifications that are already collected in the National Minimum Data Set (NMDS) but not currently utilised in the classification • Implementation of brand new data elements in existing or new versions of classifications that are not already collected within the NMDS • Implementation of a new episode clinical complexity model (such as the Version 8.0 revision of the clinical complexity model) • Removal of data elements that are currently collected within the NMDS. 	<p>Exceptions:</p> <ul style="list-style-type: none"> • Moderate changes such as implementation of a new data element that was already collected and only redistributes activity • Standard Refinements, which will be undertaken with every revision to ensure the classification maintains clinical currency and cost homogeneity (such as amendments to thresholds of existing variables). 			
Funding cycle impacts				
<p>Any intended retrospective adjustments to the national funding model prior to the current pricing year.</p>	<p>Exceptions:</p> <ul style="list-style-type: none"> • Nil. 			
<p>Any changes to the national funding model proposed to be made that will impact a state or territory funding cycle mid-year.</p>		By request		<p>A request from the Commonwealth or at least two states or territories for the guidance to be sought.</p>
By request				
<p>A request from the Commonwealth or at least two states or territories for the guidance to be sought.</p>	<p>Exceptions:</p> <ul style="list-style-type: none"> • Nil. 			

5.3 Seeking guidance from the CHC

IHPA’s assessment of the proposed change will be detailed in the Statement of Impact provided to jurisdictions through JAC and TAC. Proposed changes that trigger one or more of the thresholds, and therefore are determined to have a significant material impact on the application of the national funding model, will require additional consultation with the CHC. A proposed change that requires additional CHC consultation does not mean that the change must undergo shadow pricing. Shadow pricing requirements are discussed in Chapter 6.

The figure below outlines the CHC consultation process and associated timeframe for all proposed changes to the national funding model, including changes proposed outside of the NEP and NEC development cycle.

Figure 2. CHC consultation process and timeframes.



Changes proposed within the NEP and NEC development cycle will adhere to timeframes for existing annual processes relating to IHPA's Pricing Framework for Australian Public Hospital Services and NEP and NEC Determinations. This is outlined in the table below.

Deliverable	Consultation process	Timeframe	Action undertaken by IHPA
Consultation Paper on the Pricing Framework for Australian Public Hospital Services	30-day public consultation	Commences: June current year	Details IHPA's proposed changes to the national funding model
		Concludes: July current year	
Draft Pricing Framework for Australian Public Hospital Services	45-day ministerial consultation	Commences: September current year	Addresses stakeholder feedback from the consultation process
		Concludes: October current year	
Draft NEP/NEC Determination	45-day ministerial consultation	Commences: November current year	Statements of Impact are provided to TAC and JAC for all proposed changes to the national funding model in the NEP/NEC Determination before being provided to CHC if additional consultation is required. Feedback from CHC will be considered by IHPA prior to publication of the final NEP Determination. If no feedback is received from CHC regarding a proposed change at the conclusion of the 45-day consultation period, IHPA will progress the change for implementation as part of the final NEP/NEC Determination
	45-day CHC consultation	Concludes: January following year	
Final Pricing Framework for Australian Public Hospital Services	Provision to Health Ministers	Published: December current year	Addresses feedback from ministerial consultation process
Final NEP/NEC Determination	Provision to Health Ministers	Published: March following year	Addresses feedback from ministerial and CHC consultation process and incorporation of accepted changes to the national funding model

6. Shadow pricing

6.1 Provisions under the Addendum

Clause A42 of the Addendum states that IHPA will use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study.

The Addendum requires shadow pricing for a period of two years or a period agreed upon by the Commonwealth and a majority of states and territories to ensure robust data collection and reporting to accurately model the financial and counting impact of changes on the national funding model.

This Chapter provides an outline of the role of shadow pricing and costing studies in the process of altering the national funding model. IHPA has defined the criteria and timeframes associated with the use of shadow pricing and costing studies to provide clear guidance for jurisdictions.

Changes to ABF classification systems and costing methodologies and associated costing studies and shadow pricing projects are usually major undertakings requiring significant resources from IHPA and participating jurisdictions.

IHPA will have consideration of the capability of all jurisdictions to contribute data to costing studies and shadow pricing projects in order to ensure that jurisdictions are actively involved in their conduct and the evaluation of outcomes.

6.2 Changes requiring shadow pricing

The requirements of clause B37 of the Addendum must be satisfied before new or changed ABF classifications and new costing methodologies can be introduced. Shadow pricing projects will be used when significant changes to the national funding model are proposed, as detailed below.

Introduction of new classifications	
<p>Examples:</p> <ul style="list-style-type: none"> • AECC • AMHCC • Replacement of ICD-10-AM with ICD-11. 	<p>Exceptions:</p> <ul style="list-style-type: none"> • Where there is an undue financial or administrative burden on jurisdictions (such as dual data collection) • Where agreed through the IHPA JAC.
Major structural change to existing classifications	
<p>Example:</p> <ul style="list-style-type: none"> • Implementation of new data elements in existing classification • Implementation of new data elements that are currently not collected within the NMDS. 	<p>Exceptions:</p> <ul style="list-style-type: none"> • Moderate changes such as implementation of a new data element that was already collected and only redistributes activity • Standard Refinements undertaken with every revision to ensure the classification maintains clinical currency and cost homogeneity (such as amendments to thresholds of existing variables) • Where there is an undue financial or administrative burden on jurisdictions (such as dual data collection) • Where agreed through the IHPA JAC.

6.3 Timeframes for shadow pricing

IHPA has defined when the two-year shadow period will commence, in accordance with clause A42 of the Addendum.

The starting point for the two-year shadow period will be the commencement of the financial year immediately following the Pricing Authority's decision to conduct the shadow pricing project or any other date agreed between IHPA, the Commonwealth and a majority of states and territories.

IHPA has developed a set of circumstances where shadow pricing may not be required for the full two-year period. These are detailed below.

<p>Where otherwise dictated by the Addendum or other agreement between jurisdictions</p>	<p>Changes that IHPA is required to implement under the Addendum:</p> <ul style="list-style-type: none"> • Avoidable hospital readmissions • Private patient neutrality • Trial of innovative funding models.
<p>Where otherwise requested or approved by a majority of jurisdictions</p>	<p>When the following conditions are satisfied:</p> <ul style="list-style-type: none"> • IHPA can provide information and evidence, through the Statement of Impact, that assures jurisdictions with regards to the impact of changes • IHPA can reach an agreement with the jurisdictions to shorten the shadow pricing timeframe.
<p>Where it would adversely impact the reactivity and accuracy of pricing of services</p>	<p>Where it represents potentially significant delays in pricing of services, for example:</p> <ul style="list-style-type: none"> • Where shadow pricing for the full two-year period would render the classification outdated prior to its implementation • Where shadow pricing for the full two-year period would impact the ability of the classification to reflect the most recent cost and activity data.

As per clause A42 of the Addendum, reducing the two-year shadow pricing period for classification system or costing methodology changes or pricing based on a costing study must be agreed upon with the Commonwealth and a majority of states. Proposals for reductions to the two-year shadow pricing period will be discussed by jurisdictional representatives at JAC and TAC meetings, then provided to all Health Ministers for a 45-day consultation period.

The back-casting of new services and new counting rules, as well as any shadow pricing periods, will be made explicit in each annual determination as well as how back-casting should be applied in the calculation of Commonwealth growth funding. The process that IHPA follows when back-casting the NEP or the NEC is outlined in IHPA's [Back-casting Policy](#).

Appendix A: Extracts from the Addendum

A42	<p>The IHPA will use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study, for two years or a period agreed with the Commonwealth and a majority of States to ensure robust data collection and reporting to accurately model the financial and counting impact of changes on the National Funding Model.</p> <ol style="list-style-type: none"> a. Where a jurisdiction participates fully in the shadow pricing, including the provision of the best available data over the shadow period to support the implementation of the new ABF classification systems or costing methodologies, the Parties agree there will be no retrospective adjustments to the National Funding Model, excluding adjustments to Commonwealth contributions as a result of service volume reconciliations as set out in clauses A63, A65 and A73. b. Business rules will be developed by the national bodies in consultation with Parties, addressing significance of changes, process and consultation around retrospective adjustments where appropriate. <ol style="list-style-type: none"> i. If the national bodies consider there is a potential need for a retrospective adjustment to the national funding model, national bodies will communicate, consult and collaborate with Parties. The national bodies will hold a consultation period of 45 days to allow Parties an opportunity to provide submissions on the matter. ii. Within 45 days following the jurisdiction 45-day consultation period, national bodies will prepare a report to the CHC, advising them of the national bodies' decision and the nature and circumstances of the recommended adjustment to the national funding model. iii. Once the report is provided to the CHC, the national bodies will incorporate the decision regarding the retrospective adjustment into the national funding model and provide parties with an updated report on funding entitlements from the national model. iv. When providing payment advice to the Commonwealth Treasurer following the six-month or annual reconciliation, the Administrator will include a section that notes any matters or concerns raised by State Ministers in the 45-day consultation period in the formation of that advice.
B10	<p>Given the significance to all Parties of the functions discharged by the national funding bodies, the bodies will consult with CHC on changes that materially impact the application of the national funding model. Such consultation will be in addition to specific consultation requirements and processes with Parties set out in this Addendum.</p>

B11	The national funding bodies must consult with affected Parties and provide relevant analysis and documentation on decisions that could materially impact Parties before releasing draft or final advice on the matter.
B12	When a Party has raised a matter formally in writing with a national funding body through a consultation process under this Addendum or otherwise, the relevant body is to provide a written statement explaining how the matter has been considered and addressed on request from a Party. The request and statement must be timely in relation to the matter raised.
B13	The Commonwealth or two or more States may request that the national funding bodies present for Health Ministers' consideration a final or draft business rule, decision or determination that affects the national funding model or the calculation of the Commonwealth funding contribution. Such consultation will be in addition to specific consultation requirements and processes set out in the Addendum, and provide no less than 45 days for response by Health Ministers.
B14	As per clause A42, National Bodies will develop business rules related to process and consultation related to retrospective adjustments, for consideration and unanimous agreement by CHC, by April 2021.
B15	National Bodies will formally consult with Parties on the development of business rules and policies as per clause A42.
B37	The IHPA must seek guidance from Parties, through the IHPA Jurisdictional Advisory Committee, when implementing changes to the national funding model that will impact the way services are delivered. Parties may escalate a funding policy issue to the HSPC, AHMAC or CHC for consideration.
B38	The IHPA must provide a Statement of Impact to Parties when material changes or significant transitions are proposed to the national funding model, including changes that will have a major impact on any one party or materially redistribute activity between service streams.
B39	The Statement of Impact must be timely in relation to the matter raised and: <ul style="list-style-type: none"> a. include a risk assessment of the proposed changes or adjustments; b. outline appropriate transition arrangements; c. be informed by consultation with the Parties; and d. have input from the Administrator.
B40	The IHPA will provide AHMAC with a clear understanding of IHPA's processes, governance arrangements and its committees on national funding model matters.

Appendix B: Statement of Impact

Statement of Impact – Alterations to the National Pricing Model Framework
IHPA has prepared this assessment using the most recently available cost and activity data.
Proposed change (e.g. AECC Version 1.0 to price emergency department activities)
Detailed summary of proposed change
Proposed implementation timeframe
Date of assessment
Initial assessment date:
Final assessment date:
Date of provision to jurisdictions
RISK ASSESSMENT
Benefits associated with proposed change (e.g. new classification is more suitable for use in ABF for emergency care)
Identified risks associated with proposed change (e.g. difficulty in mapping to new classification)
<ol style="list-style-type: none"> 1. 2. 3.

Identified risk #1			
Risk associated with proposed change			
Risk category (e.g. behavioural, administrative, funding)			
Risk description			
Risk mitigation/management			
Risk rating (evaluated against the risk assessment matrix at Attachment A)	Likelihood	Consequence	Overall rating
Identified risk #2			
Risk associated with proposed change			
Risk category (e.g. behavioural, administrative, funding)			
Risk description			
Risk mitigation/management			
Risk rating (evaluated against the risk assessment matrix at Attachment A)	Likelihood	Consequence	Overall rating
Identified risk #3			
Risk associated with proposed change			
Risk category (e.g. behavioural, administrative, funding)			
Risk description			
Risk mitigation/management			
Risk rating (evaluated against the risk assessment matrix at Attachment A)	Likelihood	Consequence	Overall rating
Risk assessment outcome (accept/decline)			

TRANSITION REQUIREMENTS		
How long has the proposed change been in development?		
Has a costing study been undertaken?		
Shadow pricing arrangements (two year shadow period as prescribed by the Addendum or a reduced period as agreed upon by the Commonwealth and a majority of states and territories)		
BACK-CASTING REQUIREMENTS		
Is back-casting required for the proposed change?		
INPUT FROM THE ADMINISTRATOR		
Has input been sought from the Administrator?		
Advice from the Administrator		
ASSESSMENT AGAINST CHC CONSULTATION THRESHOLDS		
Consultation threshold:	Y/N	Comments
Pricing impact on funding projected to be more than 0.5 per cent at a national level		
Pricing impact on funding projected to be more than 2 per cent on any one jurisdiction		
Major change to costing methodologies		
New classification		
Major structural change to existing classification or major structural change to new version of classification		

Intended retrospective adjustments to the national funding model prior to the current pricing year		
Change to the national funding model proposed to be made that will impact a state or territory funding cycle mid-year		
Request from Commonwealth or at least two states or territories for the guidance to be sought		
CONSULTATION PATHWAY		
Does the proposed change trigger one or more of the CHC consultation thresholds?		
Is additional CHC consultation required?		
Feedback from jurisdictions		
<ul style="list-style-type: none"> • Feedback on the proposed change received through JAC and TAC • Feedback on the proposed change received through IHPA's consultative mechanisms (Consultation Paper on the Pricing Framework for Australian Public Hospital Services, draft Pricing Framework for Australian Public Hospital Services, draft NEP Determination, draft NEC Determination) • Measures taken by IHPA to address jurisdictional and stakeholder feedback • Feedback on the Statement of Impact received through JAC and TAC, and assessment of whether the proposed change requires additional CHC consultation 		

Attachment A

Risk assessment matrix and assessment criteria

Risk assessment matrix

		Consequence			
		Minor	Moderate	Major	Severe
Likelihood	Almost certain	Medium	High	Extreme	Extreme
	Likely	Medium	High	High	Extreme
	Unlikely	Low	Medium	High	High
	Rare	Low	Low	Medium	Medium

Likelihood of risk occurrence

Likelihood	Description of likelihood
Rare	Risk is an unusual event that would only occur in exceptional circumstances
Unlikely	Risk is an unusual event but could occur in some circumstances
Likely	Risk would be expected to occur in some routine circumstances
Almost certain	Risk would occur in routine circumstances

Consequences associated with risk

Consequence	Description of consequence
Minor	Risk would have minimal funding, (less than the thresholds 0.5 and 2 per cent) behavioural or administrative impact on the delivery of IHPA's pricing functions, though some aspects of delivery may require minor adjustment
Moderate	Risk would necessitate moderate funding (equal to thresholds 0.5 and 2 per cent), behavioural or administrative impacts
Major	Risk would represent a major funding (thresholds up to 5.0 nationally and 20 per cent), behavioural or administrative impacts
Severe	Risk would prevent delivery of IHPA's pricing functions due to funding, behavioural or administrative impacts (thresholds greater than 5.0 nationally and 20 per cent jurisdiction)

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