

Independent Hospital Pricing Authority

What we do

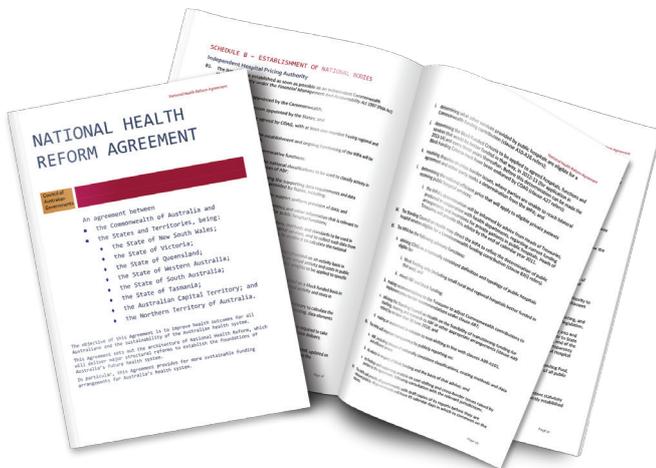


We design the pricing system to promote safe, efficient healthcare for all Australians.

Our agency

IHPA is an independent government agency established by the Commonwealth as part of the *National Health Reform Act 2011*. IHPA was established to contribute to significant reforms to improve Australian public hospitals. A major component of these reforms is the implementation of national Activity Based Funding (ABF) for Australian public hospitals.

National Health Reform Agreement



The National Health Reform Agreement (the Agreement) was entered into by all states, territories and the Commonwealth Government in August 2011. The Agreement outlined public hospital funding arrangements and established Local Hospital Networks, geographical districts used to manage single or small groups of hospitals and their budgets. A key component of the Agreement was the adoption of Activity Based Funding for the distribution of Commonwealth funds, the implementation of which is overseen by IHPA, as legislated in the *National Health Reform Act 2011*.

National Health Reform Act

The *National Health Reform Act 2011* states the objective of IHPA is to promote improved efficiency in, and access to, public hospital services, by providing independent advice to Commonwealth, state and territory governments in relation to the efficient costs of such services.

Activity Based Funding

Activity Based Funding (ABF) is the process by which hospitals are paid for the number and complexity of patients they treat. ABF takes into account the fact that some patients are more complicated to treat than others. This type of funding model aims to improve the value of public investment in hospital care, improve transparency of funding, ensure a sustainable and efficient network of public hospital services, and provide a tool to benchmark the cost of public hospitals.

Through the annual National Efficient Price and National Efficient Cost IHPA determines the amount of funding the Commonwealth Government contributes to the health system. The funding is then distributed by the Administrator of the National Health Funding Pool.

The building blocks required for an ABF system are: classification systems, data collection, costing and pricing.

Classification systems



Classification systems provide the health care sector with a nationally consistent method of classifying all types of patients, their treatment, and associated costs in order to provide better management, measurement and funding of high quality and efficient health care services.

Data collection



Each patient episode needs to be counted. This includes inpatient admissions, emergency department presentations and outpatient appointments, as well as a range of mental health and rehabilitation services.

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Costing



A representative number of patient episodes are costed. This information is used for developing the classification system and for the pricing model.

Pricing



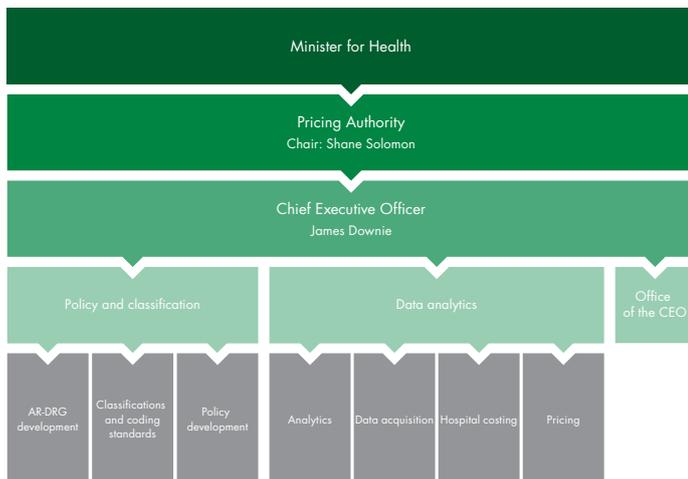
The pricing model determines how much is paid for an average patient. The pricing model needs to adequately recognise factors that increase the cost of care that may not be picked up in the classification system, for example the additional cost of providing health services in remote areas, or to children.

Organisational structure

IHPA is a corporate Commonwealth entity, within the Department of Health portfolio. The Pricing Authority is a body corporate consisting of a Chair, Deputy Chair, and up to seven other members. The Chair of the Pricing Authority reports directly to the Minister for Health.

The Chief Executive Officer is responsible for the day-to-day management of IHPA and its staff.

To achieve its annual Work Program, IHPA works in collaboration with all Australian governments, advisory committees, key stakeholders and the public.



Pricing Framework



Each year, IHPA develops a Pricing Framework which is the key strategic document underpinning the annual National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations. The *Pricing Framework for Australian Public Hospital Services* outlines the principles, scope and methodology adopted by IHPA to determine the NEP and NEC for Australian public hospital services for the specified financial year.

IHPA works closely with its stakeholders to develop the Pricing Framework, via a public consultation on a draft version of the document. The final Pricing Framework is released a few months prior to the NEP and NEC Determination to provide an additional layer of transparency and accountability by making available the approach adopted by IHPA to inform the NEP and NEC Determinations.

National Efficient Price



IHPA publishes an annual National Efficient Price (NEP) Determination for public hospital services for each coming financial year. The NEP underpins ABF across Australia for Commonwealth funded public hospital services.

The NEP has two key purposes. The first is to determine of the amount of Commonwealth Government funding for public hospital services, and the second is to provide a price signal or benchmark about the efficient cost of providing public hospital services.

Each NEP Determination includes the scope of public hospital services eligible for Commonwealth Government funding under the National Health Reform Agreement (the General List) and adjustments to the price to reflect legitimate and unavoidable variations in the cost of delivering health care services.

The NEP is developed in close consultation with all Australian governments on an annual basis.

National Efficient Cost



IHPA publishes an annual National Efficient Cost (NEC) Determination for public hospital services for each coming financial year. The NEC underpins funding for services that are not suitable for ABF, such as small rural hospitals. The NEC determines the Commonwealth Government contribution to block funded hospitals.

Further information

To learn more about the Independent Hospital Pricing Authority, find us online, or get in touch using the details below.

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