Independent Hospital Pricing Authority

COVID-19 Response

Costing and pricing guidelines

Version 0.4
23 June 2020

IHPA

COVID-19 Response –Costing and pricing guidelines – Version 0.4 – 23 June 2020

1. Background

Coronavirus disease (COVID-19) is a new (or 'novel') strain of coronavirus not previously identified in humans before the outbreak in Wuhan, Hubei Province, China in December 2019.

In March 2020, the Australian Government activated the *Emergency Response Plan for Communicable Disease Incidents of National Significance* and the *Australian Health Sector Emergency Response Plan for Novel Coronavirus (COVID-19)*.

On 13 March 2020, the Commonwealth and all state and territory governments signed the *National Partnership on COVID-19 Response* (the NPA), in order to provide financial assistance for the additional costs incurred by health services in responding to the COVID-19 outbreak.

2. Purpose

The Independent Hospital Pricing Authority (IHPA) and the Administrator of National Health Funding Pool are required to carry out a number of functions to implement the financial arrangements as specified in the NPA.

The purpose of this document is to specify IHPA's process for costing and pricing of activity for the duration of the NPA. This document should be read in conjunction with:

- National Partnership Agreement on COVID-19 Response
- *COVID-19 Response: Rules for coding and reporting COVID-19 episodes of care*, which specifies IHPA's rules for coding and reporting COVID-19 related episodes of care in the admitted care, emergency department care and non-admitted care setting
- *National Partnership Agreement on COVID-19 Response – Guidance on Financial Arrangements*, which provides information on the National Health Funding Body's process for payments and reconciliation.

3. Payment types

Broadly, the NPA has four main financial components:

- An upfront advance payment to states and territories paid on a population share basis.
- A hospital services payment, with the Commonwealth providing a 50 per cent contribution to the cost of diagnosis and treatment for confirmed and suspected cases of COVID-19 on an activity basis.
- A state public health payment, with the Commonwealth providing a 50 per cent contribution to the cost for other COVID-19 related activity undertaken by state or territory public health systems to manage the outbreak, made on a block funding basis.
- Private hospital payment, to ensure that the viability of private hospitals is maintained during the COVID-19 pandemic and they are able to resume operations once the pandemic response ends, also made on a block funding basis.

All funding delivered under this NPA are considered outside the National Funding Cap.

The Commonwealth and states and territories have agreed that payments as set out in the NPA will flow through the National Health Funding Pool and be managed by the Administrator and the National Health Funding Body.

4. Data requirements

Determining in-scope COVID-19 activity

The NPA specifies the Administrator of the National Health Funding Pool shall determine what constitutes activity that is attributable to the response to COVID-19 and what constitutes in-scope and out-of-scope public hospital activity, based on advice from IHPA and in consultation with the jurisdictions.

Data requirements

The National Partnership Agreement on COVID-19 response – Guidance on Financial Arrangements, published by the National Health Funding Body, sets out the expectations for supply of information and data for the forecast and reconciliation process. Further details are available in the National Health Funding Body's document.

Supply of activity data

As specified by the NPA, states and territories are expected to supply to IHPA and the National Health Funding Body:

- Quarterly activity data based on the annual activity based funding (ABF) data set specifications. Activity information will be reported using National Minimum Data Sets (NMDS) and National Best Endeavours Data Sets (NBEDS), including:
    - Admitted patient care NMDS
    - Admitted subacute and non-acute hospital care NBEDS
    - Non-admitted patient emergency department care NMDS
    - Non-admitted patient NBEDS
- Supplementary file to identify activity in the ABF data sets to be funded under the NPA. This file will contain establishment identifier and state record identifier.

Noting the need to reconsider the intensive care unit (ICU) eligibility criteria to deal with the COVID-19 response, IHPA has updated the ABF admitted patient care data request specifications for 2019–20 and 2020–21 to allow jurisdictions to submit ICU hours for patients treated in any ICU. Previously, only hours in an adult level 3 ICU or paediatric ICU were permitted to be reported.

Where activity relates directly to the COVID-19 response (for example, a COVID-19 hospital admission, emergency department attendance or non-admitted clinic visit), this can be identified in the activity data. IHPA has published the *COVID-19 Response: Rules for coding and reporting COVID-19 episodes of care*, which specifies IHPA's rules for coding and reporting COVID-19 related episodes of care in the admitted care, emergency department care and non-admitted care setting.

The classification rules outline the codes or classes that should be utilised for confirmed, probable and suspected COVID-19 diagnosis. The end-class assignment will be based on the existing rules with reference to the new codes and classes.

Where activity does not relate to confirmed or suspected COVID-19 episodes and jurisdictions nominate that it be funded under the NPA, this will need to be identified through the supplementary file.

Jurisdictions will be required to provide a statement of assurances in accordance with the Addendum to the National Health Reform Agreement (NHRA).

ABF data sets will continue to be submitted using IHPA's data portal. The corresponding supplementary files, which will list activity records to be funded under the NPA, are to be submitted using the enterprise data warehouse (EDW).

Supply of cost data

The NPA specifies that the cost of services associated with the hospital services payment needs to be submitted to IHPA on a quarterly basis under a best endeavours approach. A single National Hospital Cost Data Collection (NHCDC) submission must also be provided by jurisdictions using the annual NHCDC data request specification.

Jurisdictions will be required to provide data quality statement as per the current arrangements under the Addendum to the NHRA

Quarterly cost data submissions are to be submitted using the EDW. The annual NHCDC submissions are to be submitted using IHPA's data portal. IHPA will link cost data to the ABF activity data.

5. Costing process

Costing practitioners must follow the Australian Hospital Patient Costing Standards (AHPCS) Version 4.0 to ensure that all costs are accurately allocated to patients. The costing process is agnostic of the funding source.

This chapter provides clarification of the scope of costs to be allocated when costing all activity during the life of the NPA.

Activity that is funded under the State Public Health Payment and expended by the jurisdictional health body rather than a local health district/hospital should be excluded from the costing process. For example, incident management at the jurisdictional level should not be reported.

Supplementary costing guidelines during the NPA

This costing guideline provides clarification of the scope of costs to be allocated when costing activity during the life of the NPA.

It is anticipated that there will be two distinct costing periods in the 2019–20 financial year – business as usual and COVID-19 response. The commencement of the COVID-19 response costing period should be determined at a local level depending upon when hospital operations were impacted. A similar distinction may need to be incorporated in to future years if there is a significant change to hospital operations part way through the year (for example as COVID-19 response operations are wound down).

This costing guideline provides practical steps and examples to guide staff on the patient costing process during this time.

Objective

The objective of this costing guideline is to guide costing practitioners on the end-to-end steps required to ensure that activity and expenses contributing to the production of final products are included in the patient costing process to determine the full cost of production during the NPA.

The second objective is to facilitate a cost data collection that can be used to understand changes to service delivery, is comparable nationally, and between years, and allows for COVID-19 related costs to be distinguished from business as usual (BAU) costs.

Principles

The principles to be applied to costing during the life of the NPA are that

- the AHPCS Version 4.0 will be followed
- all in-scope costs will be reported
- cost allocation will be agnostic of funding source
- costs will only be reported to a single count of activity
- additional cost centres and products will be defined for reporting purposes.

Scope of activity

This costing guideline is inclusive of all hospital activity during the life of the NPA regardless of funding source. The scope of services to be costed include patient and non-patient products.

The AHPCS Version 4.0 list of products (Part 1: Standards, Section 4.1.3) used for the national data collection has been expanded to include products relevant for costing of COVID-19 activity.

Patient products will be reported through ABF admitted patient care, non-admitted patient and emergency department data sets for 2019–20 and 2020–21 financial years. All hospital activity is

in scope including services provided to patients suspected of, or diagnosed with, COVID-19 and activity not directly related to COVID-19 diagnosis.

Non-patient products are those which are not directly attributed to a specific patient outcome. Where costs are not able to be allocated to a patient, new non-patient products have been defined. Non-patient products should be used to allocate costs associated with activities undertaken at the hospital level that are not directly attributable to a patient.

COVID-19 standby/unutilised capacity	Wards on standby and associated staff costs or unutilised ward capacity
COVID-19 general costs	Screening (front of house), results delivery, cleaning, staffing airports and quarantine hotels, contact tracing, other, training and preparation

Scope of costs

Relevant expenses to be considered in scope for the costing process are defined in Stage 1 of the AHPCS and includes entries in the general ledger, expenses incurred by third parties and offsets and recoveries.

Expenses for resources funded through the state public health payment and attributable to a patient at a hospital are in scope for the purpose of costing and should be incorporated and remain identifiable through the use of dedicated cost centres.

Where there is insufficient reliable reference data available, third party expenses should not be imputed and the organisation must state that these costs have been excluded in the submission or use of cost data. For example, the third party expense of the National PPE Stockpile.

Cost ledger

A nationally consistent approach to use of cost centres when reporting final cost centres is required to ensure comparable reporting of costs. The expanded list of costs centres for use during the life of the NPA are outlined in **Table 1: Cost Centres**.

Specifically these costs centres will identify:

- wards, clinics, staff which have been established /repurposed/redeployed to provide screening/treatment to patients diagnosed with COVID-19
- resources allocated to non-patient products (such as Aged care surge capacity).

The line items to form the cost ledger are outlined in **Table 2: Line Items**.

Cost allocation

Activity within the NPA life will consume resources from hospital departments, such as imaging, pathology, pharmacy, and allied health on patients' journey of care and these should be attached to patient activity as these resources contribute to the cost of production.

Patient activity data required to allocate costs are similar to pre-NPA, however there are a number of specific data elements which may improve cost allocation. For example, the episodic dataset may record whether the patient was ventilated and how long.

Ideally, the data available will include some or all of the following fields:

- the patient's unique identifier
- the patient unique episode identifier
- COVID-19 screening/testing
- additional cleaning activity

- ward/unit code (e.g., intensive care unit [ICU], neonatal intensive care unit, critical care unit)
- delivery mode – telehealth/face to face
- the time into and out of the unit
- ward utilisation
- hours of mechanical ventilation
- campus/site and
- other relevant information.

These data elements can be used to develop intermediate products such as pre-admission COVID-19 screening or telehealth medical consultation.

Identify feeder systems and the most appropriate way to allocate expenses and the appropriate relative value units (RVUs) that should be applied at the intermediate product level.

Costing practitioners should liaise with finance departments and other stakeholders to understand the costs associated with staff and resources that have been redeployed or repurposed during the period of the NPA. This includes the methods and assumptions to support transfer of expenses within the general ledger, related to the following examples:

- wards (including staff) which have been repurposed to be on stand by for COVID-19 patients
- wards/clinics which have had occupancy reduced to meet isolation requirements
- as a result of reduction of elective surgery
- staff redeployed to support
- quarantine of people in community or hotel isolation
- drive through COVID-19 testing centre
- conducting staff screening
- pandemic response administrative and logistics business areas.

Detailed documentation should be made on key decisions, including:

- which expenses have been summarised and classified or reclassified into the COVID-19 final cost centre; and
- the stakeholders who were consulted and the date of consultation.

Creating and mapping intermediate products

Intermediate products created for COVID-19 response activity will depend on the variables available with in the hospital information systems (time in a location etc).

Where COVID-19 specific intermediate products are created in the costing system, they will also need to be mapped to the relevant final cost centre. An example of such a product is:

Interim product	Cost Centre
Pre-admission COVID-19 screening	C19PubHealth
COVID-19 positive deep clean	C19Emergmed/C19InfectInpat/C19CritCare etc
COVID-19 testing	C19Path
COVID-19 isolation non-admitted occasion of service	C19InfectOutpat

Relative Value Units

RVUs should be adjusted to more accurately reflect the relative costliness of patients as they pass through wards, ICUs, emergency departments and non-admitted clinics during the period of the NPA, if required. RVUS may also be adjusted in accordance with where the COVID-19 patient is identified, for example either within a dedicated ward or within a mixed ward.

Table 1: Cost Centres

Final Cost Centre (Code)	Modality (Name)	NHCDC Function (Cost Centre Group)	Final / Overhead	Notes
C19Community	COVID-19 Community services	Clinical	Patient - Final	For costs associated with non-hospital based COVID-19 clinical services provided by hospital based clinical teams (regardless of COVID-19 status)
C19InfectOutpat	COVID-19 Outpatients Services	Clinical	Patient - Final	For costs associated with hospital based COVID-19 outpatient clinics
C19CritCare	COVID-19 Critical Care	Critical	Patient - Final	For costs associated with COVID-19 patients requiring any critical care
C19Emergmed	COVID-19 Emergency Medicine	Emergency	Patient - Final	For costs associated with COVID-19 patients presenting to emergency department
C19FeverClinic	COVID-19 Fever Screening Clinics	Clinical	Patient - Final	For costs associated with all COVID-19 ambulatory screening services provided within hospital facilities
C19InfectInpat	COVID-19 Infectious diseases Inpatients	Clinical	Patient - Final	For costs associated with COVID-19 patients admitted for isolation, support and treatment not requiring critical care for that day of stay
C19Otherserv	COVID-19 Other services	Other - nonpatient	Non-Patient - Final	For costs associated with community based COVID-19 support services
C19ClinTrial	COVID-19 Clinical Care Trials	Other - nonpatient	Non-Patient - Final	For costs associated with any COVID-19 patient treatment clinical trial programs
C19Research	COVID-19 Research	Other - nonpatient	Non-Patient - Final	For costs associated with any general ledger cost centres created to conduct research associated with COVID-19 patients care treatment and support
C19Teaching	COVID-19 Teaching	Other - nonpatient	Non-Patient - Final	For costs associated with all services associated with additional staff education including upskilling of clinical skills and COVID-19 preparedness activities
C19PubHealth	COVID-19 Public Health Services	Other - nonpatient	Non-Patient - Final	For costs associated with all COVID-19 public health services including planning, media, clinical and administrative support at jurisdictional or Local Hospital Network level
C19AgeCare	COVID-19 Aged Care	Other - nonpatient	Non-Patient - Final	
C19MngSupp	COVID-19 Management and Support	Other - nonpatient	Non-Patient - Final	

Table 2: Line items

Line Item	Description
SWNurs	Nursing Salaries and Wages, including: • Registered Nurses; • Enrolled Nurses; • Establishment Based Student Nurses; and • Trainee/pupil nurses.
SWMed	Medical Salary and Wages, including: • Specialist and General Practice Medical Officers; • Registrars; • Residents; and • Interns.
SWVMO	Visiting Medical Officers (VMO) Salary and Wages
SWAH	Allied Health Salary and Wages, including: • Aboriginal and Torres Strait Islander health worker • Audiology • Chiropractic • Dietetics • Exercise physiology • Occupational therapy • Optometry • Oral health • Orthoptics • Orthotics and prosthetics • Osteopathy • Paramedicine • Physiotherapy • Podiatry • Psychology • Social work • Speech pathology
SWOther	Other staff, including: • Other Personal Care staff - Other Personal Care staff primarily provide personal care to patients or residents. These staff, however, are not formally qualified, and may be undergoing training in nursing or allied health professions. The function provided by these staff must not be an overhead in nature. Examples of staff in this category include: • attendants, • assistants or home assistants, • home companions, • family aides, • ward helpers, assistants or assistants in nursing • Other Administrative, Maintenance and Clerical Staff - staff engaged in administrative, maintenance and clerical duties. Staff in this category do not carry out services that are carried out by medical, nursing, diagnostic or health professionals. Examples of relevant staff include • ward clerks • health information managers and administrative staff.

Line Item	Description
OnCosts	Labour (staff) oncosts, all staff types
Path	Goods and services used in the provision of a pathology service and consumables (including reagents, stains and calibration products, etc.) or the actual cost as billed by a provider. This includes the cost of pathology staff.
Imag	Imaging: Goods and services used in the provision of an imaging service (including film, contrast, etc.) or the actual cost as billed by a provider. This includes the cost of imaging staff.
Pros	Prostheses: Goods and services used in the provision of services to implant prostheses, human tissue item and other medical devices that are: • specified on the Prostheses List; or • assessed as being comparable in function to devices on the Prostheses List. The Prostheses List is available at: http://www.health.gov.au/internet/main/publishing.nsf/content/health-privatehealth-prostheseslist.htm
MS	Medical and surgical supplies costs are goods and services used in the provision of, or subsequent treatment resulting from, surgical services excluding those used for prostheses and drugs. This could include treatments resulting from surgery, such as surgical wounds that require later attention, or bed sores resulting from a surgical episode. All other medical and surgical supplies.
GS	All other Goods and Services not else where described.
PharmPBS	Pharmacy Pharmaceutical Benefits Scheme (PBS): Goods and services used in the provision of a pharmaceutical service and consumables or the actual cost as billed by a provider. They include the purchase, production, distribution, supply and storage of drug products and clinical pharmacy services of PBS-reimbursed pharmaceuticals. This includes the cost of pharmacy staff.
PharmNPBS	Non PBS pharmacy: Goods and services used in the provision of a pharmaceutical service and consumables or the actual cost as billed by a provider. This includes the purchase, production, distribution, supply and storage of drug products and clinical pharmacy services of PBS non-reimbursed pharmaceuticals.
Blood	Blood Products: Blood Products and Services are as defined under the National Blood Agreement. The National Blood Agreement is available at: www.blood.gov.au/national-blood-agreement
DeprecB	Building Depreciation: Building depreciation includes fixed fit-out such as items fitted to the building such as lights and partitions.
DeprecE	Equipment Depreciation: Equipment depreciation includes non-fixed building fit-out such as theatre tables, moveable furniture, and chemotherapy chairs.
Hotel	Hotel includes: • cleaning products and services; • linen and laundry services; • food services (patients); and • general hotel services. This includes the cost of hotel staff.

Line Item	Description
Corp	Corporate costs (from outside the hospital GL and not otherwise specified). The AHPCS V4.0 standard specifies that corporate costs should be mapped to goods and services. For R23 IHPA will accept line item classified as Corporate as a transitional arrangement.
Lease	Leasing costs: This category includes all operating leases in line with Australian Accounting Standards. Capital leases are excluded from this category.
Cap	Capital works - not in scope
Exclude	Excluded costs – not in scope
PatTrav	Patient travel: This category includes both emergency and non-emergency travel which contributes to an organisation's day-to-day production of final products.

6. Pricing

The National Efficient Price (NEP) Determination for the corresponding year, currently 2019–20 (NEP19), will be used in the first instance to determine prices for COVID-19 related activity. From 1 July 2020 the NEP Determination 2020–21 (NEP20) will be used.

Setting	Classification	Pricing approach
Admitted acute	NEP19 – Australian Related Diagnosis Related Groups Classification Version 9 NEP20 – Australian Related Diagnosis Related Groups Classification Version 10	Based on the end-class to which the episode is grouped
Admitted subacute and non-acute	Australian National Subacute and Non-Acute Patient Classification Version 4.0	Based on the end-class to which the episode is grouped
Emergency department	Urgency Related Groups Version 1.4	Based on the end-class to which the episode is grouped
Emergency services	Urgency Disposition Groups Version 1.3	Based on the end-class to which the episode is grouped
Non-admitted care	Tier 2 Non-admitted services classification Version 6.0	Based on the following Tier 2 classes: *20.57 COVID-19 Response* based on *20.44 Infectious diseases* price weights *30.09 COVID-19 response diagnostics* not priced *40.63 COVID-19 Response* based on *40.38 Infectious diseases* price weights

Where jurisdictions are of the view that the current NEP does not appropriately account for the costs of COVID-19 patients, they can request the National Health Funding Body and IHPA review updated cost data and consider a more appropriate price.

Based upon requirements, updated price weights may be determined for specific jurisdictions rather than through the national pricing model.

ICU adjustment

The NEP Determination 2019–20 includes a list of ICUs that are eligible to receive the ICU adjustment. For the purpose of COVID-19 activity funded through the NPA the ICU loading will apply to any patient with a COVID-19 diagnosis code and ICU hours reported in the admitted patient care activity data set.

Hospital acquired complications (HAC) adjustment

The Hospital acquired complications adjustment will not be applied to activity with a COVID-19 diagnosis.

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