Independent Hospital Pricing Authority

IHPA Work Program 2018-19

June 2018

IHPA

IHPA Work Program 2018-19 – June 2018

Contents

Abbreviations and acronyms

ABF	Activity Based Funding
AHPCS	Australian Hospital Patient Costing Standards
AMHCC	Australian Mental Health Care Classification
AN-SNAP	Australian National Subacute and Non-Acute Patient classification
AR-DRG	Australian Refined Diagnosis Related Group
COAG	Council of Australian Governments
HAC	Hospital Acquired Complication
ICD-10-AM	Australian Modification of the International Statistical Classification of Diseases, 10th revision
ICU	Intensive Care Unit
IHPA	Independent Hospital Pricing Authority
Jurisdictions	Commonwealth, states and territories
LHNs	Local Hospital Networks
MDCC	Multidisciplinary Case Conference
NBP	National Benchmarking Portal
NEC	National Efficient Cost
NEP	National Efficient Price
NHCDC	National Hospital Cost Data Collection
NHISSC	National Health Information Standards and Statistics Committee
NHRA	National Health Reform Agreement
NWAU	National Weighted Activity Unit
Pricing Framework	Pricing Framework for Australian Public Hospital Services
SDMS	Secured Data Management System

The Act	*National Health Reform Act 2011*
The Commission	Australian Commission on Safety and Quality in Health Care
Tier 2	Tier 2 Non-Admitted Services Classification
TTR	Teaching, Training and Research

1. Introduction

1.1 Background

The Independent Hospital Pricing Authority (IHPA) is an independent Commonwealth authority established under Commonwealth legislation as part of the National Health Reform Agreement (NHRA) reached by the Council of Australian Governments (COAG) in August 2011. The NHRA sets out the intention of the Commonwealth and state and territory governments to work in partnership to improve health outcomes for all Australians. In June 2017, Australian governments signed an Addendum to the NHRA which sets out public hospital financing arrangements until 1 July 2020.

IHPA is a key element of the NHRA and is charged with determining the National Efficient Price (NEP) and National Efficient Cost (NEC) for public hospital services, allowing for the national introduction of Activity Based Funding (ABF). From 1 July 2012, the Commonwealth has used the NEP to determine Commonwealth funding to Local Hospital Networks (LHNs). The implementation of ABF will improve transparency and strengthen incentives for efficiency in the delivery of public hospital services.

In this document, 'Pricing Authority' refers to the governing members and 'IHPA' refers to the agency.

1.2 Purpose

As prescribed in Section 225 of the National Health Reform Act 2011 (the Act), the objectives of the IHPA Work Program are to:

- set out IHPA's work program for the coming year; and
- invite interested persons (including states and territories) to make submissions to the Pricing Authority about the work program up to 30 days after publication.

An extract of Section 225 of the Act is attached at Appendix 1.

1.3 Objectives

The objectives of publishing and calling for public submissions on the Work Program are to:

- enhance focus on the equitable funding of public hospitals;
- improve efficiency, accountability and transparency across the public health care system; and
- drive financial sustainability of public hospital services into the future.

1.4 Review

The Work Program will be revised and published each financial year in accordance with the Act. IHPA will report on the progress of its Work Program in its Annual Report.

At the end of each period IHPA will evaluate its performance against the Work Program.

2. IHPA Work Program 2018-19

2.1 Overview

The IHPA Work Program for 2018-19 encompasses the following:

1. Annual development of the Pricing Framework for Australian Public Hospital Services
2. Annual Determination of the NEP and NEC for public hospital services
3. ABF classification system development and revision
4. Development of data requirements and standards
5. Data collections development
6. Support of ABF research and education
7. Management of the international sales of the Australian Refined Diagnosis Related Group (AR-DRG) system
8. Resolution of cross-border disputes and assessment of cost-shifting disputes between jurisdictions.

A description of each of these program objectives, the deliverables and indicative timeframes for completion are outlined in this document.

These program objectives have been aligned to the functions of IHPA, as prescribed in Section 131 of the Act. An extract of Section 131 of the Act is attached at Appendix 2.

Program objective 1

Annual development of the *Pricing Framework for Australian Public Hospital Services*

(a) Development of the *Pricing Framework for Australian Public Hospital Services 2019-20*

IHPA will develop the *Pricing Framework for Australian Public Hospital Services 2019-20* (the Pricing Framework) outlining the principles, scope and methodology to be adopted by IHPA in the setting of the NEP and NEC for public hospital services in 2019-20. The Pricing Framework forms the policy basis for the NEP and NEC determinations.

Development comprises three processes:

- Publication of the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2019-20* and call for public submissions.
- Issue of the draft *Pricing Framework for Australian Public Hospital Services 2019-20* to health ministers for a statutory 45 day period.
- Publication of the final *Pricing Framework for Australian Public Hospital Services 2019-20* for adoption in the following financial year.

Deliverables	Timeframes
Completion of public submission process for the *Pricing Framework for Australian Public Hospital Services 2019-20.*	30 July 2018
Provision of the draft *Pricing Framework for Australian Public Hospital Services 2019-20* to health ministers for 45 day comment period.	30 August 2018
Publication of the final *Pricing Framework for Australian Public Hospital Services 2019-20* on IHPA website.	30 November 2018

(b) Pricing and funding safety and quality in the delivery of public hospital services

At the 1 April 2016 COAG meeting, the Commonwealth and the states and territories signed a Heads of Agreement (the Agreement) in respect of public hospital funding which outlined reforms to improve health outcomes and decrease avoidable demand for public hospital services.

In June 2017, Australian governments signed an Addendum to the NHRA which sets out public hospital financing arrangements until 1 July 2020 and requires implementation of pricing and funding approaches for sentinel events and hospital acquired complications (HACs) and the development of an approach for avoidable readmissions.

The Addendum requires that IHPA work with all jurisdictions, national bodies and other related stakeholders to develop a framework for the evaluation of pricing and funding for safety and quality against the four principles stated in the Addendum to be provided to the COAG Health Council by December 2018.

Sentinel events

Health ministers agreed on a national set of eight sentinel events in 2002. Sentinel events are defined as "...adverse events that occur because of hospital system and process deficiencies, and which result in the death of, or serious harm to, a patient".

As detailed in the *Pricing Framework 2018-19*, no funding will be provided for a public hospital episode including a sentinel event which occurs on or after 1 July 2017, applying to all relevant episodes of care (being admitted and other episodes) in hospitals where the services are funded on an activity basis and hospitals where services are block funded.

The Australian Commission on Safety and Quality in Health Care (the Commission) has undertaken a review of the national list of sentinel events, with a revised list expected to be confirmed in 2018. Revisions to the list will be implemented as part of IHPA's funding approach for 2019-20.

Hospital acquired complications (HACs)

HACs are complications which occur during a hospital stay and for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. A set of preventable HACs was developed by a Joint Working Party of the Commission and IHPA and are published on the Commission's website.

IHPA submitted a report to the COAG Health Council in November 2017 which modelled the impact on public hospital funding of the proposed HAC funding model. The report summarises the impact of the model at the LHN level, examines differences by hospital peer groups, highlights key findings of shadow implementation and makes recommendations regarding the implementation of the funding model for HACs in 2018-19.

Details on HAC adjustments, including an approach to risk adjustment are included in the NEP Determination for 2018-19 and are further detailed in the accompanying *National Pricing Model Technical Specifications*.

The evaluation framework to be developed in 2018 will propose options to assess the impact of the HACs model as part of an overall assessment of the measures to implement and the pricing and funding approach for safety and quality. IHPA will continue to work with the Commission to further refine the list of preventable HACs during 2018.

Avoidable readmissions

The 2017 Addendum requires that IHPA develop pricing and funding adjustments to target avoidable hospital readmissions which arise from complications of the management of the original condition that was the reason for the patients original hospital stay.

There is no nationally agreed or accepted definition of avoidable hospital readmissions which has led to variation in the way jurisdictions define and report these readmissions. The COAG Health Council has requested that the Commission develop a list of clinical conditions that should be considered to be avoidable readmissions, including an

examination of the appropriate timeframes for avoidable readmission for each of the conditions selected.

Following the finalisation of an agreed list of avoidable hospital readmissions by the Commission, IHPA has begun a detailed program of work to formulate pricing and funding options for avoidable hospital readmissions.

IHPA proposes to release a consultation paper as part of the Pricing Framework consultation process on this work prior to the development of the NEP Determination for 2019-20 to inform future advice to the COAG Health Council.

A request for tender will be issued for a suitable IT provider to develop a clinically based classification software tool that can identify acute care public hospital readmissions that are potentially preventable.

Deliverables	Timeframes
Refine a risk adjusted funding approach to reduce the rate of preventable Hospital Acquired Complications in public hospitals.	Ongoing
Undertake a public consultation process to canvass options on an approach to pricing and funding for avoidable readmissions.	30 July 2018
Develop a framework for the proposed evaluation of pricing and funding for safety and quality as set out in the Addendum to be provided to COAG Health Council.	December 2018
Complete request for tender process for provider of software tool that can identify public hospital readmissions that are potentially preventable	30 July 2018

(c) Determination of in-scope public hospital services for the purposes of Commonwealth funding under the NHRA

IHPA has developed the *Annual Review of the General List of In-Scope Public Hospital Services* framework which outlines the process by which jurisdictions can make submissions to IHPA for public hospital services to be determined as in-scope public hospital services eligible to receive Commonwealth funding. This document is available on IHPA's website.

Full details of the public hospital services determined to be in-scope for Commonwealth funding were provided in the NEP Determination 2018-19. In 2018-19, IHPA will assess jurisdictions' submissions for additional or altered in-scope services for the 2019-20 Determination.

Deliverables	Timeframes
Assessment of jurisdictions' submissions against the General List Framework for additional or altered in-scope services for 2019-20.	30 September 2018

Program objective 2

Determination of the NEP and NEC for public hospital services

(a) NEP and NEC Determinations 2019-20

IHPA's primary function is to produce the NEP and the NEC each year.

The NEP represents the price that will form the basis for Commonwealth payments to LHNs for each episode of care under the ABF system. In accordance with the NHRA, IHPA will consider the actual cost of delivery of public hospital services in as wide a range of hospitals as practicable. It will also take into account any legitimate and unavoidable variations in costs due to hospital characteristics (e.g. size, type and location) and patient complexity (e.g. Indigenous status, location of residence and demographic profile). Health ministers will be requested to identify any unavoidable variations in costs and other factors in their jurisdiction that should be considered by IHPA.

IHPA will provide the draft NEP and NEC Determinations to health ministers by 30 November 2018, with health ministers having a statutory 45 days to provide comments to IHPA. After consideration of comments from health ministers, IHPA will publish the final Determinations by 1 March 2019 (for adoption in the following financial year, i.e. 1 July 2019).

As noted in program objective 1, from 2017-18 the NEP and NEC include adjustments for pricing and funding safety and quality.

Block funded services

Generally, public hospitals or public hospital services will be eligible for block grant funding if there is either no acceptable classification system available, or activity and cost data collections are not in place in jurisdictions to allow for the pricing and funding of these services on an activity basis. Block funded amounts are included in the NEC Determination each year, and updated as part of the Supplementary NEC.

Clauses A27-A31 of the National Health Reform Agreement requires that IHPA develop Block Funding Criteria in consultation with states and territories, and that states and territories provide advice to IHPA on how their services meet these criteria. On the basis of this advice IHPA determines which hospital services and functions are eligible for block funding. The Administrator of the National Health Funding Pool then calculates the Commonwealth contribution.

In 2018-19, IHPA will undertake a review of block funding services as listed in the NEC Determination to ensure that block funded amounts included in the determination accurately reflects actual costs. The review will be undertaken in collaboration with all jurisdictions and the Administrator of the National Health Funding Pool.

Deliverables	Timeframes
Complete external review of block funding amounts.	30 September 2018

(b) NEP and NEC model refinement

In 2018-19, IHPA will continue to refine the models which are used to determine the NEP and NEC. This will incorporate the current work and research being undertaken by IHPA and any refinements to the Pricing Framework, specifically:

NEP Determination

In 2018-19 IHPA will undertake a review of the national pricing model to ensure that the assumptions and methodology underpinning the NEP remain robust and relevant.

Incorporating new technology in patient classification systems

In 2018-19 IHPA, in consultation with its Clinical Advisory Committee and using the *Impact of New Health Technology Framework*, will continue to monitor and review the impact of new health technologies on the existing classifications based on reports from government agencies and advisory bodies, and will determine whether and how the classification systems should be adjusted in response.

NEC Determination

Further work will be undertaken in 2018-19 on the block funding model for small rural hospitals with the intention of further improving the model's stability and predictive power within and between hospital groupings. In particular IHPA will investigate the option of a fixed plus variable cost model for small rural hospitals as an alternative to the current block funding model.

Deliverables	Timeframes
Provision of the draft *National Efficient Price and National Efficient Cost Determinations 2019-20* to health ministers for 45 day comment period.	30 November 2018
Publication of the *National Efficient Price and National Efficient Cost Determinations 2019-20* on the IHPA website.	1 March 2019
Review of the national pricing model	30 January 2019
Monitor and review new technologies based on reports received from government agencies and advisory bodies.	30 September 2018
Complete investigation of alternative block funding models for small rural hospitals.	30 September 2018

(c) Forecast of the NEP for future years

Clause B3(h) of the NHRA requires IHPA to develop projections of the NEP for a four year period. These will be updated annually and confidential reports on these projections will be provided to the Commonwealth, states and territories.

Deliverables	Timeframes
Provision of confidential National Efficient Price forecast for future years to jurisdictions.	1 September 2018

(d) NEC Supplementary Determinations

As the release of the Determinations in March each year does not align with all states' budget cycles, IHPA issues a Supplementary NEC in late November which provides an opportunity for states and territories to update their block funded amounts after the finalisation of government budgets.

Deliverables	Timeframes
Publication of the Supplementary National Efficient Cost 2018-19	November 2018

Program objective 3

ABF classification system development and revision

The basis for ABF is robust classification systems. Without acceptable classifications to describe relevant hospital activity, ABF cannot occur. IHPA has already determined the national classifications systems for public hospital services, including admitted acute, non-admitted, emergency, mental health and subacute care.

Classifications are reviewed regularly and updated periodically to ensure that they remain clinically relevant and resource homogenous within a service category. Such modifications are based on robust statistical analysis and include specialist input from clinicians.

During 2018-19, IHPA will undertake further development of the classification systems for admitted acute care, subacute care, non-admitted patient care, emergency care, mental health care and teaching, training and research.

Further details regarding classification development are outlined below.

(a) Admitted acute care

The classification for admitted acute care is the AR-DRG system. Codes from Australian Modification of the International Statistical Classification of Diseases and Related Health Problems, 10th revision (ICD-10-AM) and Australian Classification of Health Interventions form the foundation of AR-DRGs.

Work on ICD-10-AM 10th edition and AR-DRG Version 9 was completed in 2017. ICD-10-AM 10th was implemented on 1 July 2017. IHPA intends to use AR-DRG Version 9 for pricing from 1 July 2018.

IHPA commenced development of ICD-10-AM 11th edition and AR-DRG Version 10 in 2017. IHPA is developing the new version of the AR-DRG classification in-house to better leverage and build on the existing capabilities of its workforce. The Australian Consortium for Classification Development will remain responsible for updates to ICD-10-AM for 11th edition.

Deliverables	Timeframes
Complete development work on Australian Refined Diagnosis Related Group Version 10.	30 November 2018
Complete development work on the Australian Modification of the International Statistical Classification of Diseases 11th Edition.	30 November 2018

(b) Mental health care services

During 2016-17, IHPA completed development of the Australian Mental Health Care Classification (AMHCC) as a national patient classification. Version 1 of the AMHCC was approved by the Pricing Authority on 25 February 2016 and was implemented for data collection from 1 July 2016 on a best endeavours basis.

IHPA undertook an inter-rater reliability study in 2016 to test the rate of agreement amongst clinicians in assigning the concept of 'mental health phase of care' to similar patients. The findings from the study confirmed the need for the further development of the mental health phase of care concept to improve the inter-rater reliability for clinical application and use in the AMHCC.

IHPA commenced the Mental Health Phase of Care Clinical Refinement project (the Clinical Refinement project) in 2017. Six clinical experts from across Australia with vast experience in mental health care were engaged to review and refine the mental health phase of care concept.

Further refinement of the AMHCC will be informed by findings of the Clinical Refinement project, as well as advice from IHPA's Mental Health Working Group and key stakeholder groups.

Following an investigation in 2017 into whether there were sufficient data to price a subset of mental health care using the AMHCC from NEP18, IHPA will not use the new classification for NEP18 given the absence of 'phase of care' data at this time. Full implementation of the AMHCC for pricing will occur once phase-level cost and activity data are available from states and territories.

Deliverables	Timeframes
Completion of the Mental Health Phase of Care Clinical Refinement project.	November 2018
Refinement of the Australian Mental Health Care Classification.	Ongoing

(c) Subacute and non-acute care

Substantial work commenced in 2012-13 to support the implementation of ABF for subacute and non-acute care. This work included the development and implementation of nationally consistent definitions, determining appropriate patient assessment tools, data collection, classification, and reporting requirements. The nationally consistent definitions have been in effect since 1 July 2013.

The development of the Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 4 was completed in late 2014. In developing the new classification, some issues were identified with the availability of subacute care data for the Geriatric Evaluation and Management care type in relation to clinical assessment tools for cognition.

IHPA collected data on patient cognitive measures (including the Standardised Mini-Mental State Examination) and other clinical information from a sample of older persons' medical records from the subacute care type in 2015. While the Standardised Mini-Mental State Examination was found to provide a superior differentiation in cost for some patients, a small sample size precludes a classification change at this time. IHPA has retained a Standardised Mini-Mental State Examination data item in the collection for 2018-19 for future consideration.

In 2018, IHPA will commence the review all areas of the classification ahead of commencing development of AN-SNAP Version 5. This work will include consideration of incorporating comorbidities and a case complexity process into the admitted branches, further refinement of the cognitive measures for geriatric evaluation and management and reviewing the paediatric palliative care and rehabilitation branches.

IHPA will review the data received based on AN-SNAP Version 4 and consider stakeholder feedback in its review of the classification ahead of commencing development on AN-SNAP Version 5.

Deliverables	Timeframes
Ongoing development of the Australian National Subacute and Non-Acute Patient Classification.	Ongoing

(d) Emergency care

The development of an emergency care patient classification for public hospital funded emergency care services to replace the Urgency Related Groups and Urgency Disposition Groups commenced in 2013.

In 2017-18, IHPA continued work to develop a new classification system for emergency care services for ABF purposes informed by a 2016 costing study which captured clinician time per patient to allow for more accurate cost allocation.

IHPA is analysing how the data variables identified in the study can be incorporated into a classification to be clinically meaningful and provide an appropriate basis for predicting costs. A public consultation paper has been published by IHPA on the draft classification system and data requirements on the IHPA website. Public feedback will inform the final emergency care classification which is expected to be completed in mid-2018. It is proposed that the new classification will be used to price emergency department care in the NEP for 2019. During 2018-19, IHPA will work with jurisdictions to assess the readiness of the new classification to be implemented for pricing.

IHPA has developed an Emergency Department ICD-10-AM Principal Diagnosis Short List to improve the consistency of diagnosis reporting across jurisdictions and underpin the new emergency care classification under development. The short list (ICD-10-AM Tenth edition) will be included in the national data collection from 2018-19.

For jurisdictions that collect emergency information using the Systematized Nomenclature of Medicine Clinical Terms, IHPA has developed a mapping tool between the SNOMED CT-AU Emergency Department Reference Set (EDRS) and the full set of ICD-10-AM to improve consistency in the reporting of a patient's principal diagnosis and improve the usefulness of the data for clinical, analytical, classification and pricing purposes. The mapping tool was made available to jurisdictions in March 2018.

Deliverables	Timeframes
Development of a new classification system for emergency care services.	July 2018

(e) Non-admitted care

The Tier 2 Non-Admitted Services Classification (Tier 2) was primarily developed to support the introduction of ABF for non-admitted hospital services in the Australian public hospital system. Tier 2 has been reviewed annually by IHPA's Non-Admitted Care Advisory Working Group.

In 2016, IHPA commenced work to develop a new Australian Non-Admitted Care Classification to better describe patient complexity and more accurately reflect the costs of non-admitted public hospital services. In 2018-19, IHPA will continue this work, including public consultation on the potential characteristics of the future classification, development of a proposed hierarchy as well as an observational study to test the classification structure and variables in outpatient settings. The iterative process undertaken is expected to conclude in late 2020.

IHPA has also undertaken work to define and develop national reporting systems to capture non-admitted multidisciplinary case conferences (MDCCs) where the patient is not present. The work included a 2016 study to obtain cost and activity data for non-admitted multidisciplinary case conferences where the patient is not present to enable the development of a pricing approach. In 2017, IHPA undertook extensive consultation with stakeholders to develop and refine definitions and counting rules for MDCCs for reporting in Tier 2 so that they can be reported and priced separately. Tier 2 version 5.0 includes the new MDCC classes and was released in June 2018 with shadow price weights included in NEP18. In 2018-19, IHPA will work with jurisdictions to assess the stability of including these price weights in NEP19.

Deliverables	Timeframes
Development of the Australian Non-Admitted Care Classification system.	December 2020

(f) Teaching, training and research

The NHRA requires IHPA to advise the COAG Health Council on the feasibility of transitioning funding for teaching, training and research (TTR) to ABF by 30 June 2018. In December 2014, IHPA provided advice to the COAG Health Council that it is feasible to transition funding for teaching and training activities from block funding and grants to ABF arrangements. IHPA also advised the COAG Health Council that further work should be undertaken on research to determine its feasibility to be funded on an activity basis, and that research will therefore remain funded through block funding and grants in the interim.

Subsequently, IHPA has undertaken a significant program of work to inform the development of the first iteration of the Australian Teaching and Training Classification (ATTC).

IHPA developed the ATTC as a national classification for teaching and training activities which occur in public hospital services. The ATTC aims to improve the clinical meaningfulness of how teaching and training services are classified, counted, and costed. Development of the ATTC involved defining teaching and training services, identifying specific cost drivers, conducting an activity level costing study, and the undertaking of data modelling methods to develop the classification.

On 10 August 2017, IHPA released a public consultation paper on the proposed draft ATTC Version 1.0 in order to seek feedback on the proposed classification. There were a total of 16 submissions received from a broad range of jurisdictions and organisations.

ATTC Version 1.0 was released in March 2018 with implementation on a best endeavours basis from 1 July 2019.

In 2018-19, IHPA will work with stakeholders to refine the ATTC. IHPA will continue to improve ongoing data collection of research activities by refining the national activity and cost data collections, as well as investigate the feasibility of classification development as research data become more available.

Deliverables	Timeframes
Refine the Australian Teaching and Training Classification.	Ongoing

Program objective 4

Development of data requirements and standards

(a) Revision of the Three Year Data Plan

Timely, accurate and reliable public hospital data is vital to both the development of classifications for hospital services and to determine the NEP and NEC for those services.

IHPA's rolling *Three Year Data Plan* communicates the data requirements, data standards and timelines that IHPA will use to collect data over the coming three years from jurisdictions.

IHPA supports the concept of 'single provision, multiple use' of information to maximise data provision efficiency, and continues to align the rolling *Three Year Data Plan* with the other national health reform agencies to support this aim.

In 2018-19, IHPA will revise the rolling *Three Year Data Plan* and provide it to the COAG Health Council for consideration.

Deliverables	Timeframes
Publication of the Three Year Data Plan 2019-20 – 2021-22.	30 June 2019

(b) Data specification development and revision

IHPA completes an annual review of the National Best Endeavours Data Sets (formerly known as Data Set Specifications) and National Minimum Data Sets required for ABF to incorporate data elements required for ABF with existing data collections.

IHPA will continue to work closely with the Health Services Principal Committee and other data committees to incorporate new elements as required for classification development, as well as consolidate existing data collections.

Deliverables	Timeframes
Completion of the annual review of ABF National Best Endeavours Data Sets and National Minimum Data Sets.	30 October 2018

(c) Improvements to data submission, loading and validation processes

In 2017, IHPA implemented a new Secure Data Management System (SMDS). This dynamic tool built specifically for IHPA includes a new data submission portal, data validation process, data storage and data analytics platform. The new system has introduced greater flexibility of file upload specifications, faster validation and reporting, and enhanced capabilities for jurisdictions to track and manage their submission process.

IHPA also implemented a classification grouping module and National Weighted Activity Unit (NWAU) calculator in the IHPA data submission portal which allows jurisdictions to get instant feedback on the data supplied to the national agencies, minimising discrepancies. IHPA will continue to work with all agencies to identify further improvements.

Deliverables	Timeframes
Further development of the of the Secure Data Management System functionality.	Ongoing

(d) Collection of ABF activity data for public hospitals

During 2018-19, IHPA will commence the collection of ABF activity data on a quarterly basis, with the exception of teaching, training and research data which is submitted on an annual basis.

Based on quarterly data collections, IHPA will undertake activity analysis which will be used to monitor the impact of the NEP pricing model on the hospital system.

Deliverables	Timeframes
Collection of jurisdictional submissions for September Quarter 2018 Activity Based Funding activity data.	21 December 2018
Collection of jurisdictional submissions for December Quarter 2018 Activity Based Funding activity data.	29 March 2019
Collection of jurisdictional submissions for March Quarter 2019 Activity Based Funding activity data.	28 June 2019
Collection of jurisdictional submissions for June Quarter 2019 Activity Based Funding activity data.	30 September 2019

(e) Data compliance

IHPA publishes details of Commonwealth and state compliance with data requirements as required by Clause B102 of the NHRA. Both ABF hospital activity and cost data collections are assessed in accordance with the *Data Compliance Policy*. All data compliance reports are publicly available on IHPA's website.

As outlined in the Addendum to the NHRA, from 1 July 2017, jurisdictions will be required to provide IHPA with a 'Statement of Assurance' on the completeness and accuracy of approved data submissions. This is outlined in more detail in the *Three Year Data Plan*.

Deliverables	Timeframes
Publish data compliance report for September Quarter 2018.	December 2018
Publish data compliance report for December Quarter 2019.	March 2019

Deliverables	Timeframes
Publish data compliance report for March Quarter 2019.	June 2019
Publish data compliance report for June Quarter 2019.	September 2019

(f) National Benchmarking Portal

In 2016, the National Benchmarking Portal (NBP) was completed and made available for jurisdictions to access through the IHPA website. The NBP is a secure web-based application that allows users to compare cost and activity from hospitals around the country. It gives users the ability to compare differences in activity, cost and efficiency at similar hospitals using the NWAU, as well as comparing rates of HACs.

In 2018-19, IHPA plans to add HAC risk adjustment measures to the NBP in support of pricing for the safety and quality of hospital service delivery. IHPA will continue to work with jurisdictions to consider how the NBP can be further improved to better support system and hospital managers for benchmarking purposes.

Deliverables	Timeframes
Maintain and continue to develop the National Benchmarking Portal.	Ongoing
Hospital Acquired Complication risk adjustments to be added to the National Benchmarking Portal.	December 2018

Program objective 5

Data collections development

(a) Australian Hospital Patient Costing Standards

The Australian Hospital Patient Costing Standards are published for those conducting national costing activities and provide the framework for regulators, funders, providers and researchers about the consistency of the cost data collection.

In 2015-16, IHPA commenced the development of Version 4.0 of the Standards. This has included a comprehensive review to identify the priority areas for improvement, to evaluate alternative cost allocation methods and determine a preference hierarchy of methods for the Standards. The structure of the Standards was revised to incorporate a set of overarching principles to guide the costing process. The inclusion of business rules also provide detailed guidance from the costing practitioners' perspective on how the Standards can be translated into action, while taking into account practical and operational constraints within organisations.

The development of the Standards has included extensive jurisdictional and stakeholder consultation, including an independent review. Changes from Version 3.1 aim to support consistency in the costing process by providing clear guidance to apply costing principles in the context of Australian hospitals. Version 4.0 was released in February 2018.

(b) Collection of National Hospital Cost Data Collection (NHCDC) costing data for public and private hospitals

In 2018-19, IHPA will continue to collect and analyse the National Hospital Cost Data Collection (NHCDC) and will continue to develop a stronger compliance framework in conjunction with the NHCDC Advisory Committee.

With IHPA's implementation of the SDMS, the submission process for the NHCDC has been greatly improved, with greater flexibility of file upload specifications, faster validation and reporting, and enhanced capabilities for jurisdictions to track and manage their submission process.

In 2018-19, IHPA will work with stakeholders to review the format and content of the NHCDC Cost Report to identify relevant ways to present and narrate analysis of the NHCDC.

Deliverables	Timeframes
Release of Round 21 National Hospital Cost Data Collection cost weight tables for public hospitals.	31 December 2018
Release of Round 21 National Hospital Cost Data Collection cost weight tables for private hospitals.	31 December 2018

Deliverables	Timeframes
Review format and content of the National Hospital Cost Data Collection Cost Report.	30 June 2019

(c) NHCDC Independent Financial Review

An annual component of the NHCDC cycle is the Independent Financial Review. IHPA commissions an independent body to review public sector data provided by jurisdictions, with a specific focus on hospitals' financial reconciliations and consistent application of the Standards.

The Independent Financial Review provides transparency around the data submission with a review and reconciliation of the data flow from hospital submission through to finalisation in the national dataset.

Deliverables	Timeframes
Release of the National Hospital Cost Data Collection Round 21 Independent Financial Review.	31 December 2018

Program objective 6

Support ABF research and education

(a) Monitor and evaluate the introduction of ABF

In 2018-19, IHPA will continue to monitor changes in the mix, distribution and location of public hospital services each quarter, and conduct an annual analysis, through the ABF Monitoring Framework, of the impacts of ABF implementation on the delivery of public hospital services.

Consistent with Clause A25 of the NHRA, should IHPA identify anomalies in service volumes or other data which suggest that services have been transferred from the community to public hospitals for the dominant purpose of making that service eligible for Commonwealth funding, IHPA will in the first instance consult with the jurisdiction or jurisdictions in question to ascertain what underlying factors may be driving movements in service volumes.

(b) Evidence-based ABF related research

In accordance with Clause B8 of the NHRA, IHPA may undertake research. Evidence-based research plays a very significant role in the ongoing advancement of ABF in Australia. This is particularly the case in improving the understanding of the relationship between public hospital activity and costs in all care settings. As required, IHPA will conduct ABF-related research that furthers the understanding and implementation of ABF, particularly including classifications, coding standards and pricing methodologies. As a result, IHPA will be in a better position to determine an NEP that accurately reflects the costs experienced by Australian public hospitals.

Health care system sustainability

In 2018, IHPA will participate in the third National Health and Medical Research Centre (NHMRC) Partnership Centre for Better Health. The partnership is exploring issues impacting on health care system sustainability to develop and evaluate a set of implementable interventions that are appropriate from a clinical, patient and economic perspective. The Centre is jointly governed and funded by the NHMRC, NSW Health, WA Health, Bupa Health Foundation and the University of Notre Dame Australia.

New value-based approaches

IHPA monitors emerging trends in hospital funding and service delivery to ensure that the national activity based funding (ABF) model does not discourage the adoption of value-based approaches. In response to the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2018-19*, IHPA received stakeholder support for further considering this issue. IHPA intends to develop criteria for assessment of the block funding of patients to support adoption of innovative new funding models at the jurisdictional level, as well as to inform its own future consideration of new value-based approaches at the national level.

International health funding systems

In 2018, IHPA will undertake a global horizon scan including a comprehensive literature review of international health funding systems. The review will focus on international initiatives and innovations that may add value and insight into IHPAs existing operations. The review will inform a research and study tour to be undertaken in late 2018. The tour will be an opportunity for IHPA to meet with health leaders, organisations and academics for the opportunity to discuss evidence based research to support reforms as part of the National Health Agreement 2020 discussions.

In 2018-19 IHPA will commission further ABF-related research projects.

Deliverables	Timeframes
Completion of a global horizon scan including publication of a literature review and international study tour.	January 2019
Publication of evidence-based Activity Based Funding related research.	Ongoing

(c) Support ABF education at a national level

IHPA recognises that the responsibility for ABF education rests with states and territories as the managers of the public hospital system.

In 2018-19, IHPA will continue to implement strategies to ensure that it is providing information that will assist in informing its stakeholders and support ABF education activities, through the provision of education tools and resources. This will include exploring strategies to address health information management workforce shortages across jurisdictions such as through working with tertiary facilities to train new people and develop the required skills.

Deliverables	Timeframes
Implementation of strategies, tools and working papers to ensure that IHPA is providing information that will assist in informing its stakeholders.	Ongoing

(d) Activity Based Funding Conference

IHPA holds an annual conference aimed at providing high quality education in ABF and the underlying classification, costing and data collection systems to key health sector personnel. It includes major plenary sessions, concurrent smaller presentations, workshops / training, and networking activities.

Deliverables	Timeframes
Activity Based Funding Conference 2019	May 2019

Program objective 7

Management of the international sales of the AR-DRG system

IHPA assumed responsibility for managing the development and international sales of the AR-DRG patient classification system as the custodian of the Commonwealth's Intellectual Property in the AR-DRGs in 2012-13.

In 2018-19, IHPA will continue to manage the international sales of the AR-DRG system.

Deliverables	Timeframes
Management of the international sales of the AR-DRG system.	Ongoing

Program objective 8

Resolution of cross-border disputes and assessments of cost-shifting disputes between jurisdictions

As outlined in Part 4.3 of the Act, IHPA has a role to investigate and make recommendations concerning cross border disputes and to make assessments of cost shifting disputes.

In 2012-13 IHPA developed the IHPA Cross-Border and Cost-Shifting Dispute Resolution Framework to guide timely, equitable and transparent processes to investigate both cross-border and cost-shifting disputes.

The Framework will be reviewed annually in consultation with all jurisdictions to ensure it remains current to sufficiently support IHPA's cross-border and cost-shifting dispute resolution role. This annual review will consider the manageability of the framework for all parties involved within the bounds of the prescribed legislative requirements.

Deliverables	Timeframes
Complete annual review of the Cross-Border and Cost-Shifting Dispute Resolution Framework.	Ongoing

Appendix 1

Extract of Section 225 of the Act

Outlined below is an extract of Section 225 of the Act prescribing IHPA to consult each financial year on the IHPA's work program.

225 Consultation on the Pricing Authority's work program

(1) At least once each financial year, the Pricing Authority must publish on its website a statement that:

a) sets out its work program; and

b) invites interested persons (including States and Territories) to make submissions to the Pricing Authority about the work program by a specified time limit.

(2) The time limit specified in a statement under subsection (1) must be at least 30 days after the publication of the statement.

Appendix 2

Alignment of the IHPA Work Program 2018-19 to the functions prescribed in the Act

As prescribed in Section 131 of the Act, IHPA has the functions outlined in Table 1.

Table 1 – Alignment of Work Program to the IHPA functions

Subsection of the Act	Alignment with Work Program
(a) to determine the national efficient price for health care services provided by public hospitals where the services are funded on an activity basis;	1, 2
(b) to determine the efficient cost for health care services provided by public hospitals where the services are block funded;	1, 2
(c) to develop and specify classification systems for health care and other services provided by public hospitals;	3
(d) to determine adjustments to the national efficient price to reflect legitimate and unavoidable variations in the costs of delivering health care services;	1, 2
(e) to determine data requirements and data standards to apply in relation to data to be provided by States and Territories, including: (i) data and coding standards to support uniform provision of data; and (ii) requirements and standards relating to patient demographic characteristics and other information relevant to classifying, costing and paying for public hospital functions;	4
(f) except where otherwise agreed between the Commonwealth and a State or Territory—to determine the public hospital functions that are to be funded in the State or Territory by the Commonwealth;	1
(g) to publish a report setting out the national efficient price for the coming year and any other information that would support the efficient funding of public hospitals;	1, 2, 6
(h) to advise the Commonwealth, the states and the territories in relation to funding models for hospitals;	1, 2
(i) to provide confidential advice to the Commonwealth, the States and the Territories in relation to the costs of providing health care services in the future;	5
(j) such functions as are conferred on the Pricing Authority by Part 4.3 of this Act (cost-shifting disputes and cross-border disputes);	8

Subsection of the Act	Alignment with Work Program
(k) to publish (whether on the internet or otherwise) reports and papers relating to its functions;	1, 2, 3, 4, 5, 6, 8
(l) to call for and accept, on an annual basis, public submissions in relation to the functions set out in paragraphs (a) to (f);	The Annual Work Program
(m) such functions (if any) as are specified in a written instrument given by the Minister to the Chair of the Pricing Authority with the agreement of COAG;	As required, 5(e)
(n) to do anything incidental to or conducive to the performance of any of the above functions.	7 Others as required

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