

June 2019



**IHPA**

# **IHPA Work Program 2019–20**

Independent Hospital Pricing Authority

## **IHPA Work Program 2019–20 — June 2019**

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# Contents

Abbreviations and acronyms	1
1. Introduction	2
2. IHPA Work Program 2019–20	3
Program Objective One <b>Annual development of the <i>Pricing Framework for Australian Public Hospital Services</i></b>	4
Program Objective Two <b>Determination of the NEP and NEC for public hospital services</b>	8
Program Objective Three <b>ABF classification system development and revision</b>	12
Program Objective Four <b>Development of data requirements and standards</b>	18
Program Objective Five <b>Data collections development</b>	24
Program Objective Six <b>Support ABF research and education</b>	27
Program Objective Seven <b>Management of the international sales of the AR-DRG system</b>	30
Program Objective Eight <b>Resolution of cross-border disputes and assessments of cost-shifting disputes between jurisdictions</b>	32
Appendix 1	34
Appendix 2	35

# Abbreviations and acronyms

<b>ABF</b>	Activity Based Funding
<b>ACHI</b>	Australian Classification of Health Interventions
<b>AHMAC</b>	Australian Health Ministers Advisory Council
<b>AHPCS</b>	Australian Hospital Patient Costing Standards
<b>AMHCC</b>	Australian Mental Health Care Classification
<b>ANACC</b>	Australian Non-Admitted Care Classification
<b>AN-SNAP</b>	Australian National Subacute and Non-Acute Patient classification
<b>AR-DRG</b>	Australian Refined Diagnosis Related Group
<b>CAMHS</b>	Child and Adolescent Mental Health Services
<b>COAG</b>	Council of Australian Governments
<b>HAC</b>	Hospital Acquired Complication
<b>HSPC</b>	Health Services Principal Committee
<b>ICD-10-AM</b>	Australian Modification of the International Statistical Classification of Diseases, 10 <sup>th</sup> revision
<b>GEM</b>	Geriatric Evaluation and Management
<b>IHPA</b>	Independent Hospital Pricing Authority
<b>Jurisdictions</b>	Commonwealth, states and territories
<b>LHNs</b>	Local Hospital Networks
<b>MDCC</b>	Multidisciplinary Case Conference
<b>NBP</b>	National Benchmarking Portal
<b>NEC</b>	National Efficient Cost
<b>NEP</b>	National Efficient Price
<b>NHCDC</b>	National Hospital Cost Data Collection
<b>NHRA</b>	National Health Reform Agreement
<b>NWAU</b>	National Weighted Activity Unit
<b>SDMS</b>	Secured Data Management System
<b>The Act</b>	<i>National Health Reform Act 2011</i>
<b>The Commission</b>	Australian Commission on Safety and Quality in Health Care
<b>Tier 2</b>	Tier 2 Non-Admitted Services Classification
<b>TTR</b>	Teaching, Training and Research

# 1. Introduction

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## 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.

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## 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](#).

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## 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.

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## 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 2019–20

## 2.1 Overview

The IHPA Work Program for 2019–20 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 ONE**

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



## (a) Development of the Pricing Framework for Australian Public Hospital Services 2020–21

DELIVERABLES	TIMEFRAME
Completion of public submission process for the <i>Pricing Framework for Australian Public Hospital Services 2020–21</i> .	30 July 2019
Provision of the draft <i>Pricing Framework for Australian Public Hospital Services 2020–21</i> to health ministers for 45 day comment period.	30 August 2019
Publication of the final <i>Pricing Framework for Australian Public Hospital Services 2020–21</i> on IHPA website.	30 November 2019

IHPA will develop the *Pricing Framework for Australian Public Hospital Services 2020–21*, outlining the principles, scope and methodology to be adopted by IHPA in the setting of the NEP and NEC for public hospital services in 2020–21.

Development comprises three processes:

- Publication of the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2020–21* and call for public submissions.
- Issue of the draft *Pricing Framework for Australian Public Hospital Services 2020–21* to health ministers for a statutory 45 day period.
- Publication of the final *Pricing Framework for Australian Public Hospital Services 2020–21*.

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

DELIVERABLES	TIMEFRAME
Commence a pilot period to assess the impact of three options to measure avoidable readmissions.	1 July 2019
Development of a software tool to track avoidable readmissions.	Ongoing

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 hospital readmissions.

As per its requirements under the Addendum, IHPA worked 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. This work was provided to the Council of Australian Governments (COAG) Health Council in October 2018.

## Sentinel events

The Australian Commission on Safety and Quality in Health Care (the Commission) is responsible for managing the Australian Sentinel Events List, which was initially endorsed by health ministers in 2002. In 2017, the Commission undertook a review of the Australian Sentinel Events List.

The updated Australian sentinel events list was endorsed by Australian Health Ministers in December 2018. Version 2.0 of the Australian sentinel events list is available on the [Commission's website](#).

## Hospital acquired complications (HACs)

HACs are complications which occur during a hospital stay and where clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The Commission is responsible for the ongoing curation of the HAC list to ensure it remains clinically relevant. In August 2018, the Commission published Version 1.1 of the HACs list, with the specifications updated to include mental health patients.

The HACs list is reviewed regularly by the Commission's HACs Curation Clinical Advisory Group (HACs CCAG).

## Avoidable hospital readmissions

The Addendum requires that IHPA develop a pricing and funding approach 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.

As outlined in the *Pricing Framework 2019–20*, IHPA consulted jurisdictions about a number of potential funding approaches to reduce avoidable hospital readmissions. Following consultation and using the Commission's Australian Health Ministers Advisory Council (AHMAC) approved list of avoidable hospital readmissions as the basis, IHPA is trialling the implementation of funding adjustments to reduce avoidable hospital readmissions.

From 1 July 2019, IHPA will undertake pilots for the three options outlined in the *Pricing Framework 2019–20*:

- **Option One:** An episode-level approach, where an episode with an avoidable hospital readmission will not be funded. These episodes would be assigned a zero National Weighted Activity Unit (NWAU). The funding adjustment would always be applied to impact on where the index admission occurred — even when the readmission occurred in a different hospital/Local Hospital Network (LHN) to the index admission.
- **Option Two:** An episode-level approach, combining the index and readmission episodes, and recalculating the funding of the combined episode. This means that the two merged episodes retain the Diagnosis Related Group (DRG) of the initial admission but also include the additional length of stay days that occur during the readmission. The funding adjustment would always be applied to where the index admission occurred (even when the readmission occurred in a different hospital/LHN to the index admission).
- **Option Three:** A hospital-level approach, where funding is adjusted on the basis of differences in rates of avoidable hospital readmissions compared either at the level of hospitals or at the level of LHNs. This involves setting benchmark rates of avoidable hospital readmissions.

The pilots will involve IHPA developing model specifications (including a risk adjusted approach) for each option, and providing data to jurisdictions on the outcome of each model, and the inclusion of this information in the National Benchmarking Portal. This process includes developing a project plan that will note key dates where reports will be provided to jurisdictions to ensure continuous consultation to assess the impact of the options and consider alternative approaches.

Concurrently, IHPA is working to engage a contractor to develop commercial grouping software to determine whether a readmission is clinically related to a prior admission. This will allow IHPA to undertake broader investigation of avoidable readmission conditions than the current list of avoidable hospital readmissions.

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

### DELIVERABLES

Assessment of jurisdictions' submissions against the General List Policy for additional or altered in-scope services for 2020–21.

### TIMEFRAME

30 September 2019

IHPA has developed the *Annual Review of the General List of In-Scope Public Hospital Services* policy 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.

Full details of the public hospital services determined to be in-scope for Commonwealth funding were provided in the NEP Determination 2019–20. In 2019–20, IHPA will assess jurisdictions' submissions for additional or altered in-scope services for the NEP Determination 2020–21.

**PROGRAM OBJECTIVE TWO**

# **Determination of the NEP and NEC for public hospital services**

## (a) NEP and NEC Determinations 2020–21

DELIVERABLES	TIMEFRAME
Provision of the draft <i>National Efficient Price and National Efficient Cost Determinations 2020–21</i> to health ministers for 45 day comment period.	30 November 2019
Publication of the <i>National Efficient Price and National Efficient Cost Determinations 2020–21</i> on the IHPA website.	March 2020

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 2019, 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 March 2020 (for adoption in the following financial year, i.e. 1 July 2020).

### 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 NHRA require 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.

## (b) NEP and NEC model refinement

DELIVERABLES	TIMEFRAME
Finalise the review of new technologies based on reports received from government agencies and advisory bodies.	30 June 2020
Final report on the fundamental review of the national pricing model.	30 June 2020

In 2019–20, IHPA will continue to refine the models which are used to determine the NEP and NEC, including the completion of a fundamental review of the methodology underpinning the NEP. This will incorporate the current work and research being undertaken by IHPA and any refinements to the Pricing Framework, specifically:

### NEP Determination

In 2019–20, IHPA will complete its fundamental review of the national pricing model to ensure that the assumptions and methodology underpinning the NEP remain robust and relevant.

The fundamental review will look at areas including remoteness classifications, indexation, back-casting, price weights, calculation of the reference cost and emerging technology.

IHPA will regularly update jurisdictions on the progress of the fundamental review via its Jurisdictional and Technical Advisory Committees, prior to the final outcome of the review.

## **Incorporating new technology in patient classification systems**

In 2019–20, 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**

In 2018–19, IHPA worked with its Small Rural Hospital Working Group to develop a 'fixed plus variable' model. The 'fixed plus variable' model involves each hospital receiving a fixed funding amount (determined using a number of variables) and a variable ABF style amount. Under this approach, the fixed amount could be determined after taking a number of factors into account.

IHPA will finalise the 'fixed plus variable' model during 2019 in close consultation with its advisory committees, and provide a report detailing the implications of this model.

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## **(c) Forecast of the NEP for future years**

### **DELIVERABLES**

Provision of confidential National Efficient Price forecast for future years to jurisdictions.

### **TIMEFRAME**

1 September 2019

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.

## (d) NEC Supplementary Determinations

### DELIVERABLES

Publication of the Supplementary National Efficient Cost 2019–20.

### TIMEFRAME

30 November 2019

As the release of the Determinations in March each year does not align with all state and territory 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.

## (e) Price harmonisation across care settings

### DELIVERABLES

Investigate opportunities to harmonise prices across similar same-day services.

### TIMEFRAME

Ongoing

Included under the Pricing Guidelines are 'System Design Guidelines' that inform options for the design of ABF and block grant funding arrangements, including an objective for 'price harmonisation' whereby pricing should facilitate best-practice provision of appropriate site of care.

IHPA 'harmonises' (i.e. equalises) a limited number of price weights across the admitted acute and non-admitted settings, for example those for gastrointestinal endoscopes, to ensure that similar services are priced consistently across settings. Harmonisation ensures that there is no financial incentive for hospitals to admit patients previously treated on a non-admitted basis due to a higher price for the same service. IHPA seeks advice from its Clinical Advisory Committee when considering whether classes across settings of care are providing a similar type and level of care.

In 2019–20, IHPA will look to expand price harmonisation for potentially similar same-day services such as non-admitted and admitted same-day chemotherapy services, renal dialysis and sleep disorders on a case-by-case basis.

**PROGRAM OBJECTIVE THREE**

# **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 2019–20, 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

### DELIVERABLES

### TIMEFRAME

Commence the refinement of *the International Statistical Classification of Diseases and Health Related Problems, Tenth Revision, Australian Modification, Twelfth Edition*.

1 July 2019

Commence development of *Australian Refined Diagnosis Related Groups Version 11* classification.

1 July 2019

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

IHPA will implement ICD-10-AM Eleventh Edition and AR-DRG Version 10 from 1 July 2019. IHPA developed 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 were responsible for updates to ICD-10-AM for Eleventh Edition.

In 2019–20, IHPA will begin work on the refinement of the ICD-10-AM Twelfth Edition, as well as AR-DRG Version 11.

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## **(b) Mental health care services**

### **DELIVERABLES**

### **TIMEFRAME**

Progress work on the Australian Mental Health Care Classification Version 2.

June 2020

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During 2016–17, IHPA completed development of the Australian Mental Health Care Classification (AMHCC). Version 1 of the AMHCC was approved by the Pricing Authority on 25 February 2016 and implemented for data collection from 1 July 2016.

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 experience in mental health care were engaged to review and refine the mental health phase of care concept. The Clinical Refinement project will conclude in early 2019.

IHPA will work with stakeholders on an implementation timeframe for recommendations from the Clinical Refinement project. These recommendations will inform Version 2 of the AMHCC.

## (c) Subacute and non-acute care

### DELIVERABLES

### TIMEFRAME

Development of Australian National Subacute and Non-Acute Patient Classification Version 5.

June 2020

The development of the Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 4 was completed in late 2014.

IHPA continues to work with the Subacute Care Advisory Working Group, Clinical Advisory Committee and other advisory groups to develop the next version of the AN-SNAP classification. The [AN-SNAP Version 4 final report](#) highlighted that a key limitation to developing prior versions was the lack of data to inform the development of options for making major structural changes to the classification. Considerable progress has since been made by states and territories in the collection of subacute activity and cost data which will support improvements for AN-SNAP Version 5.

As part of the development of AN-SNAP Version 5, IHPA continues to investigate the cost impact of complications and comorbidities on all of the care types, including Geriatric Evaluation and Management (GEM) and psychogeriatric patients.

## (d) Tier 2 Non-Admitted Services classification

### DELIVERABLES

### TIMEFRAME

Continue to maintain the Tier 2 Non-Admitted Services classification while undertaking development work for the Australian Non-Admitted Care Classification.

Ongoing

The Tier 2 Non-Admitted Services classification system categorises a public hospital's non-admitted services into classes which are generally based on the nature of the service provided and the type of clinician providing the service.

For NEP18, IHPA introduced new Tier 2 Non-Admitted Services classes and shadow price weights for multidisciplinary case conferences (MDCCs) where the patient is not present. The change was made to better account for the important role of MDCCs in clinical care.

IHPA is developing a new Australian Non-Admitted Care Classification (ANACC). The data and knowledge gained through the development of the ANACC will inform IHPA's work to maintain the Tier 2 Non-Admitted Services classification while development takes place.

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## **(e) Australian Non-Admitted Care Classification (ANACC)**

### **DELIVERABLES**

Commence costing study, including activity and cost data for the Australian Non-Admitted Care Classification.

### **TIMEFRAME**

1 July 2019

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The ANACC will better describe patient characteristics and the complexity of care in order to more accurately reflect the costs of non-admitted services. The new classification will account for changes in how care is delivered as services transition to the non-admitted setting, as new electronic medical records allow for more detailed data capture and testing of new funding models which span multiple settings.

Analysis by IHPA of existing national data and prior costing studies indicated the potential to use diagnosis-type and intervention-type variables to classify non-admitted care in future. However, as outpatient information systems are immature in many centres and reporting is inconsistent, there is limited patient diagnosis and intervention information reported for non-admitted patients.

A national costing study is planned for 2019 to collect non-admitted (including non-admitted subacute) activity and cost data and test the shortlist of variables and potential classification hierarchies. IHPA will work closely with its advisory committees to define the scope and select a representative sample of outpatient clinics and other non-admitted services in Australia. The outcomes of the costing study will underpin the development of a final hierarchy and end classes for the classification.

Alongside the costing study, new data specifications will be discussed with IHPA's advisory committees to start capturing patient-centred variables within national non-admitted data sets.

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## **(f) Australian Emergency Care Classification (AECC)**

### **DELIVERABLES**

Australian Emergency Care Classification used to price emergency services in NEP20.

### **TIMEFRAME**

30 November 2019

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In late 2018, IHPA finalised Version 1 of the AECC in consultation with the Emergency Care Advisory Working Group, Clinical Advisory Committee and other advisory groups. The AECC will be used for pricing for NEP20.

## (g) Australian Teaching and Training Classification (ATTC)

### DELIVERABLES

### TIMEFRAME

Continue work with jurisdictions to implement the Australian Teaching and Training Classification.	June 2020
Continue activity and cost data collection.	June 2020

In 2017–18, IHPA began developing the first version of the ATTC. The ATTC will assist health services with the administrative management of teaching and training in hospitals, improve statistical reporting, enable quality improvement initiatives and improve the transparency and efficiency of funding.

ATTC development was informed by a costing study and stakeholder consultation. The major classification variables have been identified as profession and training stage. Public consultation on a draft ATTC occurred in late 2017, and found stakeholders were broadly supportive, but requested a greater level of granularity for specialties within each profession.

States and territories broadly support ATTC, but note there are challenges related to its implementation. IHPA will work with stakeholders to determine an appropriate pathway and timeframe for its implementation.

## (h) Costing private patients in public hospitals

### DELIVERABLES

### TIMEFRAME

IHPA will work towards phasing out the private patient correction factor for NEP20.	30 November 2019
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The collection of private patient medical expenses has been problematic in the National Hospital Cost Data Collection (NHCDC). For example, there is a common practice in some jurisdictions of using Special Purpose Funds to collect associated revenue (e.g. Medicare Benefits Schedule) and reimburse medical practitioners.

The private patient correction factor was introduced as an interim solution for the issue of missing private patient costs in the NHCDC. Submissions in response to previous consultation papers on the *Pricing Framework for Australian Public Hospital Services* have supported phasing out the correction factor when feasible.

The Australian Hospital Patient Costing Standards (AHPCS) Version 4.0, which was published in February 2018, addresses this issue for future NEP Determinations. AHPCS Version 4.0 includes a Business Rule relating to the treatment of medical and other expenses found in Special Purpose Funds which manage Rights of Private Practice arrangements. The Business Rule will support states and territories in accounting for all expenses which contribute toward hospital activities, regardless of their funding source. The Business Rule will inform the costing process for Round 22 (2017–18) of the NHCDC.

**PROGRAM OBJECTIVE FOUR**

# **Development of data requirements and standards**

## (a) Revision of the Three Year Data Plan

### DELIVERABLES

### TIMEFRAME

Publication of the Three Year Data Plan 2020–21 — 2022–23.

June 2020

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 2019–20, IHPA will revise the rolling Three Year Data Plan and provide it to the Health Services Principal Committee (HSPC) and the COAG Health Council for consideration.

## (b) Phasing out aggregate non-admitted data reporting

### DELIVERABLES

### TIMEFRAME

Phase out of the collection of aggregate non-admitted data as reported through the Non-Admitted Patient Care Aggregate National Minimum Data Set (for hospital services) and National Best Endeavours Data Set (for LHN services).

June 2020

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.

Jurisdictions are required to submit public hospital activity at the patient level wherever possible, which is used to determine the price weights in the NEP Determination. While jurisdictions have increased the reporting of patient level non-admitted service events since 2012–13, it has not accounted for all services delivered by jurisdictions. IHPA has allowed for aggregate non-admitted data reporting by jurisdictions to ensure that all activity is captured.

The move towards patient level data is a crucial step in improving data reliability and embedding the reporting arrangements required for a new patient-centred non-admitted care classification.

IHPA will begin to phase out the collection of aggregate non-admitted data as reported through the Non-Admitted Patient Care Aggregate National Minimum Data Set from 1 July 2019. Work will continue through committees and working groups to ensure that a process is in place to continue to capture data where patient level is not yet possible.

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## (c) Data specification development and revision

### DELIVERABLES

### TIMEFRAME

Completion of the annual review of ABF National Best Endeavours Data Sets and National Minimum Data Sets.

31 December 2019

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 HSPC and other data committees to incorporate new elements as required for classification development, as well as consolidate existing data collections.

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## (d) Individual Healthcare Identifier

### DELIVERABLES

### TIMEFRAME

Develop the process for the collection of Individual Healthcare Identifier as part of national data sets.

June 2020

The Individual Healthcare Identifier (IHI) is an existing person identifier that could be included in national data sets. A robust person identifier would allow IHPA to accurately identify service delivery to patients across settings of care, financial years and hospitals.

Linked patient data provides broad benefits to the health system, allowing hospitals to review care pathways and develop value-based healthcare proposals. A patient identifier is also essential to progress work on avoidable readmissions to enable the linkage of patients across different hospitals or service settings.

IHPA will work with jurisdictions and national data committees to progress the inclusion of the IHI in the national data collections used for ABF purposes and ensure that there are appropriate protections and safeguards for consumers.



## (e) Improvements to data submission, loading and validation processes

### DELIVERABLES

### TIMEFRAME

Further development of the SDMS.

Ongoing

In 2017, IHPA implemented a new Secure Data Management System (SDMS). 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.

## (f) Collection of ABF activity data for public hospitals

### DELIVERABLES

### TIMEFRAME

Collection of jurisdictional submissions for March Quarter 2019 Activity Based Funding activity data.

June 2019

Collection of jurisdictional submissions for June Quarter 2019 Activity Based Funding activity data.

September 2019

Collection of jurisdictional submissions for September Quarter 2019 Activity Based Funding activity data.

December 2019

Collection of jurisdictional submissions for December Quarter 2019 Activity Based Funding activity data.

March 2020

During 2019–20, IHPA will continue its 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.

## (g) Data compliance

DELIVERABLES	TIMEFRAME
Publish data compliance report for March Quarter 2019.	September 2019
Publish data compliance report for June Quarter 2019.	December 2019
Publish data compliance report for September Quarter 2019.	March 2020
Publish data compliance report for December Quarter 2019.	June 2020

IHPA publishes details of Commonwealth and state compliance with data requirements as required by Clause B 102 of the NHRA. Both ABF hospital activity and cost data collections are assessed in accordance with IHPA’s 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*.

## (h) National Benchmarking Portal

DELIVERABLES	TIMEFRAME
Maintain and continue to develop the National Benchmarking Portal, including promoting access for all Local Health Networks.	Ongoing

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 National Weighted Activity Unit (NWAU), as well as comparing rates of HACs.

In 2018, IHPA added 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.

IHPA is working to ensure that access to the NBP is available to all LHNs and public hospitals, and will continue exploring mechanisms to allow this without compromising the security of the system.

## (i) Increasing access to public hospital data

### DELIVERABLES

### TIMEFRAME

Publication of evidence-based Activity Based Funding related research and analysis.

July 2019

IHPA considers that broadening access to its data and greater publication of analysis using the data would benefit work to develop and evaluate health policy and programs by researchers, clinical groups and peak bodies and would serve the interests of transparency.

IHPA will continue to work with stakeholders to improve access to hospital data, including developing appropriate safeguards and identifying opportunities that all parties are agreeable to in the release of data and/or publications to third parties.

In 2019, IHPA will develop a list of research areas for analysis and publication, in consultation with stakeholders including the Australian Institute of Health and Welfare and jurisdictions, with the intention of publishing research and analyses on the IHPA website.

PROGRAM OBJECTIVE FIVE

# Data collections development

## (a) Australian Hospital Patient Costing Standards

### DELIVERABLES

Evaluate compliance with new aspects incorporated in the Australian Hospital Patient Costing Standards Version 4.0.

### TIMEFRAME

June 2020

The AHPCS are published for those conducting national costing activities, to promote consistency in data submission. The AHPCS provide the framework for regulators, funders, providers and researchers for the cost data collection.

In 2018–19, IHPA published Version 4.0 of the AHPCS. This version was restructured to incorporate a set of overarching principles to guide the costing process and to include business rules which provide detailed guidance from the costing practitioners' perspective on how a costing standard can be translated into action, while taking into account practical and operational constraints within organisations. It is intended that the changes to the AHPCS will result in greater consistency in activity based costing for future rounds of the NHCDC.

AHPCS Version 4.0 also sought to address stakeholder issues which were raised in response to previous consultation papers on the *Pricing Framework for Australian Public Hospital Services*. These include accounting for the costs of interpreter services, private patient medical expenses, teaching and training and posthumous care.

IHPA is working with its NHCDC Advisory Committee and jurisdictions to implement AHPCS Version 4.0. Once implemented, IHPA intends to evaluate compliance with the new aspects of the AHPCS through its annual NHCDC Independent Financial Review.

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

### **DELIVERABLES**

### **TIMEFRAME**

Release Round 22 National Hospital Cost Data Collection public sector report.	31 December 2019
Release Round 22 National Hospital Cost Data Collection cost weight tables for private hospitals.	31 December 2019

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In 2018–19, IHPA worked 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.

For 2019–20, IHPA will continue to collect and analyse the NHCDC and will continue to develop a stronger compliance framework in conjunction with the NHCDC Advisory Committee.

Since 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.

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## **(c) NHCDC Independent Financial Review**

### **DELIVERABLES**

### **TIMEFRAME**

Release the National Hospital Cost Data Collection Round 22 Independent Financial Review.	31 December 2019
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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 AHPCS.

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.

PROGRAM OBJECTIVE SIX

# Support ABF research and education

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## (a) Monitor and evaluate the introduction of ABF

In 2019–20, 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.

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## (b) Evidence-based ABF related research

### DELIVERABLES

Publication of the global horizon scan final report.

### TIMEFRAME

December 2019

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.

### Innovative funding models

The *Pricing Guidelines and the National Health Reform Agreement* include provisions for IHPA to consider the impact on its work of evidence-based, effective new technologies and innovations in models of healthcare. IHPA maintains a watching brief on emerging trends in healthcare to ensure that the national ABF model can accommodate new and innovative approaches to public hospital funding and service delivery.

Some state and territory governments are developing funding models for some patient groups to drive the adoption of patient-centred models of care. The amount of funding per patient usually reflects the existing cost of delivering hospital services to these patients and allows health services the flexibility to use the funding in primary and community services to reduce per patient expenditure over time.

IHPA will continue to work with stakeholders to ensure that the national pricing model does not act as a barrier to system and hospital-level change to the benefit of patients.

### International health funding systems

In 2018–19, IHPA undertook a global horizon scan, including a comprehensive literature review of international health funding systems. The review focussed on international initiatives and innovations that could potentially add value and insight into IHPA's existing operations.



## (c) Support ABF education at a national level

### DELIVERABLES

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

### TIMEFRAME

Ongoing

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

In 2019–20, 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.

## (d) Activity Based Funding Conference

### DELIVERABLES

Activity Based Funding Conference 2020.

### TIMEFRAME

May 2020

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.

PROGRAM OBJECTIVE SEVEN

# Management of the international sales of the AR-DRG system

**DELIVERABLES**

**TIMEFRAME**

Management of the international sales of the AR-DRG system.

Ongoing

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 2019–20, IHPA will continue to manage the international sales of the AR-DRG system.

**PROGRAM OBJECTIVE EIGHT**

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

**DELIVERABLES****TIMEFRAME**

Conduct annual review of the [Cost-Shifting and Cross-Border Dispute Resolution Framework](#).

Ongoing

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 [Cost-Shifting and Cross-Border 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.

# Appendix 1

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## 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.

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 2019–20 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: <ul style="list-style-type: none"> <li data-bbox="223 1232 782 1276">(i) data and coding standards to support uniform provision of data; and</li> <li data-bbox="223 1276 1181 1344">(ii) requirements and standards relating to patient demographic characteristics and other information relevant to classifying, costing and paying for public hospital functions;</li> </ul>	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
(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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