

June 2020



IHPA

IHPA Work Program

2020–21

IHPA Work Program 2020–21 — June 2020

© Independent Hospital Pricing Authority 2020

This publication is available for your use under a Creative Commons BY Attribution 3.0 Australia licence, with the exception of the Independent Hospital Pricing Authority logo, photographs, images, signatures and where otherwise stated. The full licence terms are available from [the Creative Commons website](#).



Use of Independent Hospital Pricing Authority material under a Creative Commons BY Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Independent Hospital Pricing Authority endorses you or your use of the work).

Independent Hospital Pricing Authority material used 'as supplied'.

Provided you have not modified or transformed Independent Hospital Pricing Authority material in any way including, for example, by changing Independent Hospital Pricing Authority text — then the Independent Hospital Pricing Authority prefers the following attribution:

Source: The Independent Hospital Pricing Authority

Contents

Abbreviations and acronyms	4
1. Introduction	5
2. IHPA Work Program 2020–21	7
Strategic objective one Perform IHPA pricing functions	8
Strategic objective two Refine and develop hospital activity classification systems	13
Strategic objective three Refine and improve hospital costing	18
Strategic objective four Determine data requirements and collect data	21
Strategic objective five Resolve disputes on cost-shifting and cross-border issues	25
Strategic objective six Independent and transparent decision-making and engagement with stakeholders	27
Appendix 1	30
Appendix 2	31

Abbreviations and acronyms

ABF	Activity based funding
ACHI	Australian Classification of Health Interventions
AHPCS	Australian Hospital Patient Costing Standards
AMHCC	Australian Mental Health Care Classification
ANACC	Australian Non-Admitted Care Classification
AN-SNAP	Australian National Subacute and Non-Acute Patient Classification
AR-DRG	Australian Refined Diagnosis Related Groups
CAR-T therapy	Chimeric antigen receptor T cell therapy
COAG	Council of Australian Governments
COVID-19	Coronavirus disease 2019
HAC	Hospital Acquired Complication
HSPC	Health Services Principal Committee
ICD-10-AM	International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification
IHPA	Independent Hospital Pricing Authority
Jurisdictions	Commonwealth, states and territories
LHNs	Local Hospital Networks
NBP	National Benchmarking Portal
NEC	National efficient cost
NEP	National efficient price
NFC Program	National Funded Centres Program
NHCDC	National Hospital Cost Data Collection
NHRA	National Health Reform Agreement
NWAU	National Weighted Activity Unit
SDMS	Secured Data Management System
The Act	<i>National Health Reform Act 2011</i>
The Addendum	Addendum to the National Health Reform Agreement
The Commission	Australian Commission on Safety and Quality in Health Care
The NPA	National Partnership Agreement on COVID-19 Response
Tier 2	Tier 2 Non-Admitted Services Classification

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](#) (the Addendum) which sets out public hospital financing arrangements until 1 July 2020. In May 2020, a new Addendum was signed by all Australian governments, which amends the NHRA for the period from 1 July 2020 to 30 June 2025. While still to be published, the new Addendum retains the fundamental elements of the previous iteration.

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 aims to improve transparency and strengthen incentives for efficiency in the delivery of public hospital services.

Following the recent Coronavirus disease 2019 (COVID-19) outbreak, states, territories and the Commonwealth signed the National Partnership Agreement on COVID-19 Response (the NPA) on 13 March 2020. The NPA covers financial assistance for the additional costs incurred by health services in responding to the COVID-19 outbreak. Jurisdictions have advised IHPA that their resources are focused on managing the response to the COVID-19 outbreak and implementing the NPA arrangements in the upcoming months. As such, the timeframes of the deliverables mentioned within this Work Program may be subject to change.

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), in developing the annual Work Program IHPA must:

- set out the work program for the coming year
- 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
- drive financial sustainability of public hospital services into the future.

1.4 Review

The Work Program is revised and published each financial year in accordance with the Act.

At the end of each financial year, IHPA evaluates its performance against the Work Program, the results of which are included within the IHPA Annual Report. All IHPA Annual Reports are publicly available on IHPA's website.

2. IHPA Work Program 2020–21

2.1 Overview

The IHPA Work Program for 2020–21 outlines activities associated with the following strategic objectives:

1. Perform IHPA pricing functions
2. Refine and develop hospital activity classification systems
3. Refine and improve hospital costing
4. Determine data requirements and collect data
5. Resolve disputes on cost-shifting and cross-border issues
6. Independent and transparent decision-making and engagement with stakeholders

A description of each of these activities, the deliverables and indicative timeframes for completion are outlined in this document. The objectives align with those published in the IHPA Annual Report, as well as 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](#).

STRATEGIC OBJECTIVE ONE

Perform IHPA pricing functions

(a) Development of the *Pricing Framework for Australian Public Hospital Services 2021–22*

DELIVERABLES	TIMEFRAME
Completion of public submission process for the <i>Pricing Framework for Australian Public Hospital Services 2021–22</i> .	October 2020
Provision of the draft <i>Pricing Framework for Australian Public Hospital Services 2021–22</i> to health ministers for a 45-day comment period.	November 2020
Publication of the final <i>Pricing Framework for Australian Public Hospital Services 2021–22</i> on the IHPA website.	March 2021
Completion of Nationally Funded Centres Program pricing and costing study	January 2021

IHPA will develop the *Pricing Framework for Australian Public Hospital Services 2021–22* (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 2021–22.

Development of the Pricing Framework includes three major phases: a public consultation period, review of the draft Pricing Framework by health ministers and publication of the final Pricing Framework.

As part of this process, IHPA will also review the costing arrangements for all aspects of organ donation, retrieval and transplantation, following a recent review of the implementation of the national reform agenda on organ and tissue donation and transplantation.

Nationally Funded Centres Program

The Nationally Funded Centres (NFC) Program supports access to a small number of high cost, highly specialised, low volume procedures for Australian patients.

On 29 January 2020, IHPA received a Ministerial Direction from the Hon. Greg Hunt under section 226(1) of the National Health Reform Act 2011. The Direction requires that IHPA study existing and projected costs for NFC Program services, and to recommend options regarding:

- whether NFC Program services, individually and collectively, are more appropriately funded via ABF or block funding arrangements under the NHRA
- the development and operation of cost models and pricing models for the NFC Program, covering both existing and potential future services delivered under the NFC Program.

In 2020, IHPA will work with states and territories to provide an interim report on the study and options to the Australian Health Ministers' Advisory Council no later than 1 August 2020, and a final report to COAG Health Council no later than 31 January 2021.

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

DELIVERABLES	TIMEFRAME
Finalise decisions on the <i>General List of In-Scope Public Hospital Services</i> for additional or altered in-scope services for 2021–22.	December 2020

IHPA has developed the *General List of In-Scope Public Hospital Services Eligibility Policy* that outlines the process by which jurisdictions can make submissions to IHPA for public hospital services to be determined as in-scope to receive Commonwealth funding.

Full details of the public hospital services determined to be in-scope for Commonwealth funding are provided in the NEP Determination. In 2020–21, IHPA will assess jurisdictions' submissions for additional or altered in-scope services for the NEP Determination 2021–22.

(c) NEP and NEC Determinations 2021–22

DELIVERABLES	TIMEFRAME
Finalise decisions on the legitimate and unavoidable cost variations to assess changes or adjustments to the <i>National Efficient Price Determination 2021–22</i> .	December 2020
Provide the draft <i>National Efficient Price and National Efficient Cost Determinations 2021–22</i> to health ministers for a 45-day comment period.	December 2020
Publish the <i>National Efficient Price and National Efficient Cost Determinations 2021–22</i> on the IHPA website.	March 2021

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.

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.

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.

Chimeric antigen receptor T cell therapy

In 2019, funding arrangements were agreed that would allow the chimeric antigen receptor T cell (CAR-T) therapy Kymriah® to be publicly funded through the National Funding Pool for the treatment of acute lymphoblastic leukaemia in children and young adults. The Commonwealth's contribution is to be provided via a block-funded arrangement.

Following these agreements, IHPA undertook work to develop a pricing and funding approach for this block-funded service. IHPA has now published a set of CAR-T guidelines for the costing, counting and reconciliation of costs associated with the treatment of registered patients. As part of this approach, the efficient cost will be updated throughout the year as better data is available following the commencement of treatment.

(d) NEP and NEC model refinement

DELIVERABLES	TIMEFRAME
Complete review of recommendations provided in the Fundamental Review.	March 2021

In 2019–20, IHPA initiated a fundamental review of the national pricing model (the Fundamental Review) to ensure the assumptions and methodology underpinning the NEP remain robust and relevant. In 2020–21, IHPA will continue to work with jurisdictions to consider technical improvements to the pricing model, including 14 recommendations from the Fundamental Review.

IHPA will consult with stakeholders when assessing the implementation of recommendations from the Fundamental Review via IHPA's working group structure, and the Jurisdictional and Technical Advisory Committees.

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

DELIVERABLES	TIMEFRAME
Completion of the shadow period to assess the impact of three funding options to measure avoidable hospital readmissions.	June 2021
Development of a software tool to track avoidable hospital readmissions – Version 1.0.	December 2021

In June 2017, Australian governments signed the Addendum 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.

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](#).

HACs

HACs are complications that 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.

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

Version 2.0 of the HAC list was published in June 2019 and includes updates to delirium, renal failure, pressure injuries, cardiac complications, respiratory complications, third and fourth degree perineal tears and neonatal birth trauma.

The HAC list is published on the [Commission's website](#).

Avoidable hospital readmissions

The Addendum requires that IHPA develop a pricing and funding approach to target avoidable hospital readmissions that arise from complications of the management of the original condition that was the reason for the patient's original hospital stay.

On 1 July 2019, IHPA commenced a 24-month shadow period for the three funding options outlined in the *Pricing Framework for Australian Public Hospital Services 2019–20*. Throughout the shadow period, IHPA is assessing the impact and scope of the three funding options.

To support the monitoring of avoidable hospital readmissions, IHPA will include rates in the National Benchmarking Portal (NBP), pending finalisation of a risk adjustment model.

IHPA has engaged 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 simultaneously with the current list of avoidable hospital readmissions developed by the Commission.

(f) Forecast of the NEP for future years

DELIVERABLES	TIMEFRAME
Provide confidential NEP forecast for future years to jurisdictions.	December 2020

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.

(g) NEC Supplementary Determination

DELIVERABLES	TIMEFRAME
Publish the <i>Supplementary National Efficient Cost Determination 2020–21</i> .	December 2020

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

(h) Price harmonisation across care settings

DELIVERABLES	TIMEFRAME
Investigate opportunities to harmonise prices across similar same-day services.	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 2020–21, IHPA will continue to look to expand price harmonisation for potentially similar same-day services such as non-admitted and admitted same-day chemotherapy services and renal dialysis on a case-by-case basis.

STRATEGIC OBJECTIVE TWO

Refine and develop hospital activity classification systems

(a) Acute care classifications

DELIVERABLES	TIMEFRAME
Finalise the refinement of ICD-10-AM/ACHI/ACS Twelfth Edition.	July 2022
Finalise the development of AR-DRG Version 11.0.	July 2022

The classifications for admitted acute care are the *Australian Refined Diagnosis Related Groups (AR-DRG)* and the *International Statistical Classification of Diseases and Health Related Problems, Tenth Revision, Australian Modification (ICD-10-AM)*, *Australian Classification of Health Interventions (ACHI)*, *Australian Coding Standards (ACS)*; collectively referred to as **ICD-10-AM/ACHI/ACS**.

In 2020–21, IHPA will continue to work on the refinement of the ICD-10-AM/ACHI/ACS Twelfth Edition and AR-DRG Version 11.0. Both classification systems will be developed by IHPA.

In 2019, an end-to-end review of the AR-DRG classification system development process was conducted. The end-to-end review has considered recommendations in relation to the education and resource requirements for delivering new classification versions, cycle times for classification development and refining the process to ensure that new health technologies are identified and accounted for appropriately. This report will be published on the IHPA website in 2020. IHPA will continue to work its relevant advisory committees to develop and progress the recommendations emanating from the review in current and future development cycles.

(b) Australian Mental Health Care Classification

DELIVERABLES	TIMEFRAME
Refine the Mental Health Phase of Care as part of the AMHCC development.	March 2021
Price mental health care services using the AMHCC for the <i>National Efficient Price Determination 2021–22</i> .	March 2021

The Australian Mental Health Care Classification (AMHCC) Version 1.0 was approved by the Pricing Authority in 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 mental health phase of care to similar consumers. The findings from the study confirmed the need for further refinement of the mental health phase of care concept to improve the validity and consistency of 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.

IHPA will work with stakeholders on an implementation timeframe for recommendations from the Clinical Refinement Project. These recommendations will inform the refinement of the Mental Health Phase of Care and future versions of AMHCC.

(c) Australian National Subacute and Non-Acute Patient Classification

DELIVERABLES	TIMEFRAME
Consult on the draft AN-SNAP Classification Version 5.0.	November 2020

The development of the Australian National Subacute and Non-Acute Patient (AN-SNAP) classification Version 4.0 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 4.0 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 5.0.

As part of the development of AN-SNAP Version 5.0, IHPA continues to investigate potential new variables and the cost impact of complications and comorbidities on all of the care types.

(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 ANACC.	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.

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.

(e) Australian Non-Admitted Care Classification

DELIVERABLES	TIMEFRAME
Complete the non-admitted care costing study, including activity and cost data for the ANACC.	Ongoing

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.

In 2019, a national costing study was initiated to collect non-admitted (including non-admitted subacute) activity and cost data and test the shortlist of presenting conditions, interventions and patient-centred variables. A public consultation on the costing study was also completed with IHPA collaborating with its working groups and committees to incorporate feedback into the costing study design. The outcomes of the costing study will underpin the development of a final hierarchy and end classes for the new classification and the associated non-admitted data sets.

(f) Australian Emergency Care Classification

DELIVERABLES	TIMEFRAME
Refine the AECC Version 1.0.	June 2021

In late 2018, IHPA finalised Version 1.0 of the Australian Emergency Care Classification (AECC) in consultation with the Emergency Care Advisory Working Group, Clinical Advisory Committee and other advisory groups. THE AECC was approved by the Pricing Authority in July 2019.

In 2020–21 there will need to be a period of stabilisation with the implementation of the AECC. IHPA will continue to support jurisdictions to improve data collection and reporting of existing variables along with future refinement of the classification that potentially considers the addition of new variables.

(g) Australian Teaching and Training Classification

DELIVERABLES	TIMEFRAME
Continue to work with jurisdictions to implement ATTC.	June 2021
Continue collecting activity and cost data.	June 2021

The NHRA requires IHPA to provide advice on the feasibility of transitioning funding for teaching, training and research from block grants to ABF. The Australian Teaching and Training Classification (ATTC) Version 1.0 was released from 1 July 2018.

The ATTC will improve reporting of hospital-based teaching and training activity and in the future improve the transparency of funding. States and territories broadly support ATTC, but note there are challenges related to its implementation. The availability of activity and cost data, particularly with research data, remains a key challenge for implementing the ATTC.

IHPA has developed an implementation plan for the ATTC and will continue to work with states and territories on the timeframe for implementation.

Research is not incorporated into the ATTC as determining the feasibility of ABF for research has not been straightforward due to an absence of available research data. No further work is proposed for a research classification at this stage.

(h) 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 2020–21, IHPA will continue to manage the international sales of the AR-DRG system.

(i) Incorporating new technology in patient classification systems

DELIVERABLES	TIMEFRAME
Finalise the review of new health technologies based on reports received from government agencies and advisory bodies.	June 2021
Review the process for assessing the impact of new health technologies on patient classification systems.	June 2021

The *Impact of New Health Technology Framework* outlines the process by which IHPA will monitor and review the impact of new health technologies on the existing classifications in order to accurately account for them in the pricing of public hospital services.

In 2020–21, IHPA 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.

The process for assessing the impact of new health technologies on patient classification systems will be reviewed in 2020–21, following the outcomes of the end-to-end review of the AR-DRG classification system development process. The end-to-end review included considering how high acuity, high cost health technology could be incorporated into the classification system in a more timely fashion.

STRATEGIC OBJECTIVE THREE

Refine and improve hospital costing

(a) Australian Hospital Patient Costing Standards

DELIVERABLES	TIMEFRAME
Evaluate compliance with new aspects of the AHPCS Version 4.0.	June 2021

The Australian Hospital Patient Costing Standards (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 National Hospital Cost Data Collection (NHCDC).

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

In 2020–21, IHPA will work with its NHCDC Advisory Committee and jurisdictions to evaluate compliance with the new aspects of the AHPCS through its annual NHCDC Independent Financial Review.

(b) Collection of NHCDC for public and private hospitals

DELIVERABLES	TIMEFRAME
Release Round 23 NHCDC public sector report.	December 2020
Release Round 23 NHCDC cost weight tables for private hospitals.	December 2020

In 2020–21, 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 Secure Data Management System (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.

(c) NHCDC Independent Financial Review

DELIVERABLES	TIMEFRAME
Release the NHCDC Round 23 Independent Financial Review.	December 2020

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.

(d) Costing private patients in public hospitals

DELIVERABLES	TIMEFRAME
IHPA will work towards phasing out the private patient correction factor for NEP21.	November 2020

The collection of private patient medical expenses has been problematic in the NHDC. 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 NHDC. Submissions in response to previous consultation papers on the Pricing Framework have supported phasing out the correction factor when feasible.

It is anticipated that the implementation of the AHPCS Version 4.0 will address this issue, meaning that the private patient correction factor is no longer required. 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. It is intended that the business rule will support states and territories in accounting for all expenses contributing toward hospital activities, regardless of their funding source.

For Round 22 of the NHDC, IHPA requested hospitals to provide a detailed self-assessment describing their application of the AHPCS Version 4.0 costing standards and business rules. This was provided at either the state, territory or LHN level. The assessment included information relating to how private patients were costed in public hospitals. Pending the outcomes of the assessment, IHPA intends to phase out the private patient correction factor for NEP21.

STRATEGIC OBJECTIVE FOUR

Determine data requirements and collect data

(a) Revision of the Three Year Data Plan

DELIVERABLES	TIMEFRAME
Publish the Three Year Data Plan 2021–22 – 2023–24.	June 2021

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 its rolling *Three Year Data Plan* with the National Health Funding Body's data plan to support this aim.

In 2020–21, IHPA will revise the rolling *Three Year Data Plan* and provide it to the Health Services Principal Committee (HSPC), the Australian Health Ministers Advisory Council and the COAG Health Council for consideration.

(b) Phasing out aggregate non-admitted data reporting

DELIVERABLES	TIMEFRAME
Complete phasing out aggregate non-admitted data for ABF reporting.	June 2021

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 has already commenced phasing out of aggregated non-admitted data reporting, having provided notice to states and territories. In 2020–21, work will continue through committees and working groups to progress towards phasing out aggregate data for ABF reporting.

(c) Data specification development and revision

DELIVERABLES	TIMEFRAME
Complete the annual review of ABF National Best Endeavours Data Sets and National Minimum Data Sets.	December 2020

IHPA completes an annual review of the National Best Endeavours Data Sets 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.

(d) Individual Healthcare Identifier

DELIVERABLES	TIMEFRAME
Develop the process for the collection of the IHI as part of national data sets.	June 2021

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 hospital readmissions to enable the linkage of patients across different hospitals or service settings.

IHPA will continue to 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 develop the SDMS functionality.	Ongoing

In 2017, IHPA implemented a new SDMS. This dynamic tool built specifically for IHPA includes a new data submission portal, data validation process, data storage and data analytics platform. This 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 will continue working with key stakeholders to enhance the data submission portal in SDMS. The enhancement includes some new functions, such as automated data load and quality assurance process, which assist both IHPA and the submitter to manage data submission in a timely fashion.

(f) Collection of ABF activity data for public hospitals

DELIVERABLES	TIMEFRAME
Collect jurisdictional submissions for March quarter 2020 ABF activity data.	June 2020
Collect jurisdictional submissions for June quarter 2020 ABF activity data.	September 2020
Collect jurisdictional submissions for September quarter 2020 ABF activity data.	December 2020
Collect jurisdictional submissions for December quarter 2020 ABF activity data.	March 2021

During 2020–21, IHPA will continue its collection of ABF activity data on a quarterly basis, while teaching, training and research and hospital cost data provided through the NHDC is reported 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 2020.	September 2020
Publish data compliance report for June quarter 2020.	December 2020
Publish data compliance report for September quarter 2020.	March 2021
Publish data compliance report for December quarter 2020.	June 2021

IHPA publishes details of jurisdictional 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 IHPA's *Data Compliance Policy*. All data compliance reports are publicly available on IHPA's website.

As outlined in the Addendum, 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) Promoting access to public hospital data

DELIVERABLES	TIMEFRAME
Continue to expand access to the NBP.	Ongoing

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, IHPA added HAC risk adjustment measures to the NBP in support of pricing for the safety and quality of hospital service delivery and will add hospital readmission rates on completion of the risk adjustment model. IHPA will continue to work with jurisdictions to consider how the NBP can be further improved through the inclusion of safety and quality indicators 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. IHPA is also working to provide public access to the NBP, while ensuring the data is provided with sufficient context and privacy protections.

STRATEGIC OBJECTIVE FIVE

Resolve disputes on cost-shifting and cross-border issues

(a) Review of the Cost-Shifting and Cross-Border Dispute Resolution Framework

DELIVERABLES	TIMEFRAME
Conduct annual review of the <i>Cost-Shifting and Cross-Border Dispute Resolution Framework</i> .	June 2021

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 is 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.

STRATEGIC OBJECTIVE SIX

**Independent and
transparent decision-
making and
engagement with
stakeholders**

(a) Monitor and evaluate the introduction of ABF

DELIVERABLES	TIMEFRAME
Provide quarterly ABF activity data reports to the Pricing Authority and Jurisdictional Advisory Committee.	November 2021

In 2020–21, IHPA will continue to monitor changes in the mix, distribution and location of public hospital services each quarter, and conduct an annual analysis of the impacts of ABF implementation on the delivery of public hospital services through the ABF Monitoring Framework.

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 jurisdictions in question to ascertain what underlying factors may be driving movements in service volumes.

(b) Evidence-based ABF related research

DELIVERABLES	TIMEFRAME
Publish evidence-based ABF related research and analysis.	July 2020
Progress investigation of bundled payments for stroke, and hip and knee replacements.	November 2021
Develop a capitation model for hospital avoidance programs.	March 2021

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.

Publication of Activity Based Funding related research

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 developed a list of research areas for analysis and publication, in consultation with stakeholders including the national health agencies and jurisdictions, with the intention of publishing research and analyses on the IHPA website. These areas of research include the risk adjustment model for HACs and the cost of HACs.

Alternative funding models

The Pricing Guidelines and the NHRA 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 current ABF framework can accommodate new and alternate approaches to public hospital funding and service delivery.

While ABF has increased the transparency of hospital services and costs, it has the potential to incentivise more activity or to admit patients instead of focusing on hospital avoidance and patient outcomes. Consequently, there is a growing discussion in Australia and internationally about the need to increase focus on delivering value-based healthcare with a focus on patient

outcomes and experience. In 2018–19, IHPA conducted a global horizon scan and stakeholder consultation to identify alternative approaches to healthcare funding that could be applied in the Australian context. The alternative funding models considered included bundled payments, capitation payments and regionally coordinated service responses.

In 2020–21, IHPA will continue to work with stakeholders via its advisory committees and working groups to explore a number of alternative funding models, in particular bundled and capitation payments.

(c) Support ABF education at a national level

DELIVERABLES	TIMEFRAME
Implementation of strategies, tools and working papers to ensure that IHPA is providing information that will inform its stakeholders.	Ongoing
Activity Based Funding conference 2021.	May 2021

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

In 2020–21, IHPA will continue to implement strategies to ensure that it is providing information that will inform its stakeholders and support ABF education activities, through the provision of education tools and resources.

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. The conference includes major plenary sessions, concurrent smaller presentations, workshops/training, and networking activities. It provides delegates an opportunity to hear from international peers in the healthcare industry about how their systems function.

Following participant feedback from the ABF Conference in 2019, the conference will now be held biennially to better suit participant’s availability and organisational requirements, with a smaller masterclass event being held every second year.

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.

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 2020–21 objectives 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 OBJECTIVES
(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
(b) to determine the efficient cost for health care services provided by public hospitals where the services are block funded;	1
(c) to develop and specify classification systems for health care and other services provided by public hospitals;	2
(d) to determine adjustments to the national efficient price to reflect legitimate and unavoidable variations in the costs of delivering health care services;	1
(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"> (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, 6
(h) to advise the Commonwealth, the states and the territories in relation to funding models for hospitals;	1
(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;	3
(j) such functions as are conferred on the Pricing Authority by Part 4.3 of this Act (cost-shifting disputes and cross-border disputes);	5
(k) to publish (whether on the internet or otherwise) reports and papers relating to its functions;	1, 2, 3, 4, 5, 6
(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
(n) to do anything incidental to or conducive to the performance of any of the above functions.	2(h), Others as required



IHPA

Independent Hospital Pricing Authority

Level 6, 1 Oxford Street
Sydney NSW 2000

Phone 02 8215 1100

Email enquiries.ihpa@ihpa.gov.au

Twitter @IHPAnews

ihpa.gov.au