Response to IHPA Consultation Paper Pricing Framework 2017-18

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Medtronic

Introduction

As an active participant in the Australian medical technology environment for more than 40 years, and internationally for over 65 years, Medtronic Australasia welcomes the opportunity to comment on the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2017-18.*

About Medtronic

"To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that ***alleviate pain, restore health, and extend life."***

As a global leader in medical technology, services and solutions, Medtronic improves the health and lives of millions of people each year. We believe our deep clinical, therapeutic and economic expertise can help address the complex challenges — such as rising costs, aging populations and the burden of chronic disease — faced by families and healthcare systems today. But, we can't do it alone. That's why we're committed to partnering in new ways and developing powerful solutions that deliver better patient outcomes.

Founded in 1949 as a medical repair company, we're now among the world's largest medical technology, services and solutions companies, employing more than 85,000 people worldwide, serving physicians, hospitals and patients in more than 160 countries. Our technologies encompass several areas, including:

- Cardiac Rhythm Disease Management (pacemakers, defibrillators);
- CardioVascular (heart valves, surgical ablation, coronary & endovascular stents);
- Neurovascular (revascularisation and embolisation technologies);
- Venous (endovenous therapy);
- Diabetes (insulin pumps & continuous glucose monitoring);
- Neuromodulation (neurostimulation including brain, spine & sacral, intrathecal baclofen pumps);
- Spine & Biologics (fixation & stabilisation plates, rods & screws);
- Surgical Technologies (ear, nose & throat and surgical navigation equipment); and
- Minimally Invasive Surgical Therapies (stapling, trocars & access instruments).

Medtronic Australasia, headquartered in Sydney, was established in 1973 and employs more than 800 people across Australia and New Zealand.

Medtronic is an active member of the Medical Technology Association of Australia (MTAA) and supports the Medical Technology Industry Code of Practice. To learn more about Medtronic's commitment to take healthcare **Further, Together** visit medtronic.com.au.

Comments to the Pricing Framework

Medtronic provides comment in areas where we can substantiate these with expertise and experience; hence our comments focus on important broader issues underpinning the implementation of Activity Based Funding (ABF) in Australia and which correspond to the consultation questions raised by IHPA.

2. PRICING GUIDELINES – Box 1: Pricing Guidelines (page 7)

Medtronic agrees that the Pricing Guidelines are critical and remain relevant – we draw specific comment to the need to ensure that through the System Design Guidelines highlighted below that the IHPA ensures recommendation support pricing and funding public hospitals services supports these.

- **Fostering clinical innovation**: Pricing of public hospital services should respond in a timely way to introduction of evidence-based, effective new technology and innovations in the models of care that improve patient outcomes
    - Example: of particular relevance when it comes to how advancements in technology or changes in clinical practice may change the costs associated, ensuring that both the pricing and funding adjust appropriately to support the best clinical decisions.
- **Patient-based**: Adjustments to the standard price should be, as far as is practicable, based on patient-related rather than provider-related characteristics.

3. SCOPE OF PUBLIC HOSPITAL SERVICES – Box 2: Scope of Public Hospital Services and General List of Eligible Services (page 9)

Medtronic would like to raise the need to ensure that this is continually assessed recognizing the changes in clinical practice as advancement in care through technological advances / changes in models of care challenge the current definitions of acute, sub-acute and non-acute care, particularly highlighting how this translate to the healthcare facility y type required to fulfill clinical and funding requirements.

Primarily to ensure the best patient outcomes for the care they receive, but also to ensure the sustainability of the healthcare system through removing any perverse incentives into the system

Example: advancement in surgical procedures no longer requiring in-theatre but rather a sterile treatment room environment, but moving outside of theatre potentially reduces the facilities ability to be appropriately funded for the health care being provided.

4. CLASSIFICATION USED BY IHPA TO DESCRIBE PUBLIC HOSPITAL SERVICES

Clinical classification systems are critical for ABF and therefore the continued work to ensure the timely revisions and development of classification system should continue with the strong direction of the IHPA.

Consultation question

What additional areas should IHPA consider in developing Version 5 of the Australian National Sub acute and Non-Acute Patient Classification?

- No comment

4.7 Teaching, Training and Research

Medtronic refers to the submission made by the Medical Technology Association of Australia (MTAA) in February 2015 in response to the public consultation on the costing study, drawing attention to the important role the Medical Technology industry has in supporting TTR.

It is important that that the classification system that will underpin TTR in public hospitals reflects the nature of all activities. Medtronic looks forward to the opportunity to review this when it is available for public consultation.

https://www.ihpa.gov.au/sites/g/files/net636/f/Documents/medical_technology_association_of_australia.pdf

5. DATA COLLECTION

Accurate and relevant data is critical to the ability of the Australian Healthcare system to be funded via an ABF mechanism. The progress of the IHPA in the data available to support and derive the NEP for ABF is to be noted; however there is opportunity for this to continue with such focus and urgency.

It is of concern that hospitals are able to identify the exact funding levels they are allocated under ABF for episodes of care; however when it comes to understanding the costs this is a much more complex activity that hospitals need to be supported in achieving.

6. THE NATIONAL EFFICIENT PRICE FOR ACTIVITY BASED FUNDED PUBLIC HOSPITAL SERVICES

Consultation question

Should IHPA consider any further technical improvements to the pricing model used to determine the National Efficient Price for 2017-18?

- Overall there have been improvements implemented to support data collected/submitted by hospitals to inform the NEP, however as this is such a critical element of ABF this focus to improve it should continue.
- Opportunity to look at data collections in understanding the costs associated with interventions specifically – noting the opportunity to understanding costs of when advancements in treatment – either through technology advancements or models of care.

6.3 Stability of the National Pricing Model

Consultation questions

Should IHPA further restrict year-on-year changes in price weights?

- Generally agree that restrictions to year-on-years changes are needed to ensure the sustainability of ABF – however should be room or allowances for assessing true opportunities for variances that could be a result of changes in the clinical practice that warrants a significant variance in price weights.

What are the priority areas for IPHA to consider evaluating adjustment to the NEP17?

- Where any significant variances in funding to costs can be demonstrated

What patient-based factors would provide the basis for these or other adjustments? Please provide supporting evidence, where available.

- No comment, at this stage

7. SETTING THE NATIONAL EFFICIENT PRICE FRO PRIVATE PATIENTS IN PUBLIC HOSPITALS

Consultation question

Should IHPA phase out the private patient correction factor in 2018-19 if it feasible to do so?

- No comment

9. BUNDLING PRICING FOR MATERNITY CARE

Consultation questions

Do you support IHPA's intention to introduce a bundled price for maternity care in future years?

- The introduction of bundled pricing is a relevant directional change as health care globally looks to define Value-Based Health Care.
- With the introduction of bundled pricing the opportunity to drive improvements in health care arise, that would not otherwise create the environment to be realised in what is essentially a fee=for-service' environment.

What stages of maternity care and patient groups should be included in the bundled price?

- No comment

Should IHPA include postnatal care provided to the newborn in the bundled price?

- No comment

What other issues should IHPA consider in developing the bundled price?

The bundled pricing/payment approach should include the following considerations to ensure the best possible implementation of the funding arrangements.

1. Service inclusion and exclusions. These need to be clearly defined, they should be based on focussed care delivery goals or cost-reduction priorities and health service providers should be made aware of why these service inclusions/exclusions have been chosen.

Health service providers are incentivised to affect only the included services and items. So if for example, readmissions are not clearly included in the bundle, providers will not be responsible for readmissions and also will not be rewarded for reducing them.

2. Risk adjustment. The use of performance metrics should be considered to reflect and account for different types of patients.
3. High cost outliers. An approach to addressing patients with extraordinary high costs not anticipated in the bundle needs to be developed.
4. New technology / model of care adjustments. An approach to accounting for new, innovative technologies and/or models of care which are not currently accounted for in the bundle needs to be developed. The bundle structure needs to be flexible to allow prompt adjustment otherwise the clinical/cost benefits of new technology/models of care may not be realised. Also related to this is the identification of any perverse incentives that the bundle may create which discourages new ways of providing patient care.
5. Quality monitoring. Metrics to assess provider performance and patient satisfaction are necessary to ensure that care is not withheld to meet bundle targets.

The data/metrics identified can also be used to drive best practice and consistency in cost/outcomes across health service providers.

11. PRICING AND FUNDING FOR SAFETY AND QUALITY

11.4 Overview of scope and approaches to pricing and funding

11.4.1 Scope

Consultation question

Is there support for pricing and funding models for safety and quality to be applied broadly across all types of public hospitals, all services, all patients and all care settings?

- Essentially yes, take regard of further comments on some identified conditions
- This essentially creates the steps needed to embark on the opportunities of a sustainable health care more broadly noting the opportunities for the future opportunities for transformation into a Value-Based Health Care (VBHC) system.

11.4.4 Risk Adjustment

Consultation question

What factors should be considered in risk adjustment for safety and quality in pricing and funding models for hospital care?

- No comment

11.4.5 Criteria for assessing pricing and funding options

Consultation question

Do you agree with the use of these assessment criteria to evaluate the relative merit of different approaches to pricing and funding for safety and quality? Are there other criteria that should be considered?

- No comment

11.5 Sentinel Events

11.5.4 Approaches to pricing and funding of sentinel events

Consultation question

Do you support the proposal to not fund episodes that include a sentinel event? If not, what are the alternatives and how could they be applied consistently?

- Yes in principle, but with the addition in suggesting that the suggested savings, in this case the $5-million would not be taken out of the health system, but rather used to create a funding pool available through a 'bidding' / 'tendering' processes by hospitals to access the funds to implement safety and quality programs.
- Perhaps an opportunity to allow a phase in period to minimise any unintended consequences to removing funding from hospitals.

Consultation question

Do you support the proposal to include a sentinel events flag to improve the timeliness and consistency of data that is used for funding purposes?

- Yes essentially the more improvements that are made to 'real-time' data collections that such flags could facilitate will be instrumental in ensuring the systems can respond more timely to patient quality and safety.

- Any opportunities to allow the data to improve funding should be seen as an opportunity for assessing safety & quality.

Consultation question

Do you agree with IHPA's assessment of this (not funding episodes with a sentinel events)?

- Yes on the basis of the funding of a public hospital service for a sentinel event being reallocated into a funding pool that would then be accessible by hospitals through a 'bidding'/'tendering' process to support hospital-based quality and safety programs etc.
- Strong funding signals such as this are important to transform health care, however they should not be used as the system to penalise – especially when opportunities to invest more money into a hospital could improve systemic issues.

11.3 Hospital Acquired Complications

11.6.5 Episode-level, funding approaches to HACs

Consultation questions

What are the advantages and disadvantages of Option 1 which reduced funding for some acute admitted episodes with a HAC?

Do you agree with IHPA's assessment of this option?

11.6.6 Hospital-level, funding approaches to HACs

Consultation questions

What are the advantages and disadvantages of Option 2 that adjusts funding to hospitals on the basis of difference in their HAC rates?

Do you agree with IHPA's assessment of this option?

What are the advantages and disadvantages of the approaches to risk adjustment?

11.6.7 Combined pricing and funding approaches to HACs

Consultation questions

What are the advantages and disadvantages of Option 3 that combines funding incentives and penalties?

Do you agree with IHPA's assessment of this option?

Are there any other pricing or funding options that IHPA should consider in relations to HACs?

Medtronic sees merit in all Options presented in regards to HACs and while we are not the appropriate stakeholder to provide commentary as per the request consultation questions, we believe that some important notes:

- Inclusion of transitional phases to implement process
- Defining whether a process of disentivising or penalising is the aim
- Create opportunity for the redirection of health system funding to implement improvements processes – rather than extracting funding not paid via ABF out of the health care system
- Balance the incentive for 'better' performing hospitals and the penalty for those hospitals that stand to lose funding

11.6.8 Responding to Condition Onset Flag data quality issues

Consultation question

How should IHPA treat hospitals with poor quality COF report?

- Agree with the suggested approach to ensure an incentive is not created for under-reporting of the COF.

11.7 Avoidable Hospital Readmissions

11.7.3 Timeframe for measuring avoidable hospital readmissions

Consultation questions

What approach is supported for setting timeframes within which avoidable hospital readmissions are measured?

Is there Australian evidence (including guidelines or recommendations) that could be used to implement condition specific readmission timeframes?

11.7.4 Readmissions to the same hospital or other hospitals

Consultation question

Is there support for pricing and funding models to be based on avoidable hospital readmissions within the same LHN?

Medtronic agrees that there is merit in principle of a pricing and funding models based on avoidable hospitals readmissions within the same LHN – but it is critical that the balance of pricing and funding schemes to improve quality and safety do not breed unintended consequences and hence an evidence-based approach to determining the approach including timing is critical.

11.7.7 Implementation of an approach for avoidable readmissions

Consultation question

When should a pricing and funding approach for avoidable readmissions be implemented?

- No comment

11.8 Implementing a pricing and funding approach

11.8.2

Consultation questions

What do you think are the most important considerations for implementation of pricing and funding approaches for safety and quality?

Do you agree that IHPA would need to back-cast the impact of introducing new measures for safety and quality into the pricing and funding models?

- No comment