IHPA Work Program and Corporate Plan 2022–23

**IHPA Work Program and Corporate Plan 2022–23**

© Independent Hospital Pricing Authority 2022

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](http://creativecommons.org/licenses/by/3.0/au/legalcode).



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*

Table of contents

[Table of contents 3](#_Toc94707864)

[Abbreviations and acronyms 5](#_Toc94707865)

[1. Introduction 6](#_Toc94707866)

[1.1 Purpose 6](#_Toc94707867)

[1.2 Strategic objectives and key activities 6](#_Toc94707868)

[2. Key activities 8](#_Toc94707869)

[Strategic Objective One: Perform pricing functions 8](#_Toc94707870)

[Strategic Objective Two: Refine and develop hospital activity   
classification systems 13](#_Toc94707871)

[Strategic Objective Three: Refine and improve hospital costing 17](#_Toc94707872)

[Strategic Objective Four: Determine data requirements and collect data 19](#_Toc94707873)

[Strategic Objective Five: Resolve disputes on cost‑shifting and  
cross-border issues 22](#_Toc94707874)

[Strategic Objective Six: Conduct independent and transparent  
decision-making and engage with stakeholders 23](#_Toc94707875)

[3. Operating context 25](#_Toc94707876)

[3.1 Environment 25](#_Toc94707877)

[3.2 Capability 25](#_Toc94707878)

[3.3 Cooperation and collaboration 26](#_Toc94707879)

[3.4 Enterprise risk 26](#_Toc94707880)

I am pleased to present the Independent Hospital Pricing Authority's Work Program and Corporate Plan 2022–23 for the reporting periods 2022–23 to 2024–25.

The Independent Hospital Pricing Authority was established under the *National Health Reform Act 2011* to implement national activity based funding for Australian public hospital services, where hospitals are funded for the number and complexity of patients they treat. The National Health Reform Agreement reaffirms this function and details the key mechanisms for the transparency, governance and financing of Australia’s public hospital system.

The Independent Hospital Pricing Authority maintains its role in developing a nationally consistent and effective activity based funding system, and each year delivers a national efficient price for activity based funding for public hospital services and a national efficient cost for block-funded public hospital services.

The Independent Hospital Pricing Authority’s Work Program and Corporate Plan 2022–23 strengthens the alignment between its purpose, strategic objectives and key activities. Through the Work Program and Corporate Plan 2022–23, the Independent Hospital Pricing Authority aims to reflect its accountability more clearly and comprehensively to the Commonwealth Government, the states and territories, broader stakeholders and the Australian public.

James Downie

Chief Executive Officer, Independent Hospital Pricing Authority  
Accountable Authority

Abbreviations and acronyms

**ABF** Activity based funding

**ACHI** Australian Classification of Health Interventions

**ACS** Australian Coding Standards

**AECC** Australian Emergency Care Classification

**AHPCS** Australian Hospital Patient Costing Standards

**AMHCC** Australian Mental Health Care Classification

**AN-SNAP** Australian National Subacute and Non-Acute Patient Classification

**AR-DRG** Australian Refined Diagnosis Related Groups Classification

**ATTC** Australian Teaching and Training Classification

**CEO** Chief Executive Officer

**COVID-19** Coronavirus disease 2019

**HAC** Hospital acquired complication

**ICD‑10‑AM** International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification

**IHI** Individual Healthcare Identifier

**IHPA** Independent Hospital Pricing Authority

**MSAC** Medical Services Advisory Committee

**NBP** National Benchmarking Portal

**NEC** National efficient cost

**NEP** National efficient price

**NHCDC** National Hospital Cost Data Collection

**NHRA** National Health Reform Agreement

**NWAU** National weighted activity unit

**SDMS** Secured Data Management System

**The Addendum** Addendum to the National Health Reform Agreement 2020–25

**The Commission** Australian Commission on Safety and Quality in Health Care

**The NHR Act** *National Health Reform Act 2011*

**The PGPA Act** *Public Governance, Performance and Accountability Act 2013*

**The Pricing Authority** Governing body of the Independent Hospital Pricing Authority

1. Introduction

The Chief Executive Officer of the Independent Hospital Pricing Authority (IHPA) is the accountable authority presenting the IHPA Work Program and Corporate Plan 2022–23, as required under section 225 of the *National Health Reform Act 2011* (the NHR Act) and 35(1) of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The NHR Act requires annual reporting on strategic objectives and key activities developed for IHPA’s annual Work Program while the PGPA Act specifies reporting on corporate outcomes and performance measures across 2022–23 to 2024–25.

The Work Program and Corporate Plan identifies IHPA’s strategic objectives and key activities. The project deliverables under each strategic objective are prioritised and shaped by engagement with stakeholders through the Pricing Authority (IHPA’s Board), advisory committees and working groups, and through public consultation.

1.1 Purpose

IHPA is an independent Commonwealth authority established under the *National Health Reform Act 2011* enacted as part of reforms arising out of the National Health Reform Agreement (NHRA) reached by the Council of Australian Governments 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.

IHPA’s role is to:

* determine the efficient price for health care services provided by public hospitals where the services are funded on an activity basis
* determine the efficient cost for health care services provided by public hospitals where the services are block funded
* publish these determinations, and other information, in a report each year for the purpose of informing decision makers in relation to the funding of public hospitals.

IHPA promotes improved efficiency in, and access to, public hospital services by:

* providing independent advice to governments in relation to the efficient costs of such services
* developing and implementing robust systems to support activity based funding (ABF) for such services.

1.2 Strategic objectives and key activities

The Work Program and Corporate Plan 2022–23 has six strategic objectives with associated key activities for delivery. IHPA’s strategic objectives for 2022–23 are outlined below:

**Perform pricing functions**

IHPA’s primary function is to produce the national efficient price (NEP) and national efficient cost (NEC) Determinations each year. The Pricing Framework for Australian Public Hospital Services (the Pricing Framework) forms the policy basis for the NEP and NEC Determinations. The Pricing Framework outlines the principles, scope and methodology to be adopted by IHPA in the setting of the NEP and NEC Determinations for public hospital services in the next financial year.

**Refine and develop hospital activity classification systems**

ABF requires robust classification systems upon which pricing can be based. Classifications provide the health care sector with a nationally consistent method of classifying all types of patients, their treatment, and associated costs. IHPA has determined national classification systems for the admitted acute, non-admitted, emergency, admitted subacute and non-acute, mental health, and teaching and training patient service categories. Classifications are reviewed regularly and updated periodically to ensure that they remain clinically relevant and resource homogeneous within a service category. Such modifications are based on rigorous statistical analysis and include specialist input from clinicians.

**Refine and improve hospital costing**

Hospital costing focuses on the cost and mix of resources used to deliver patient care, and plays a vital role in ABF. Costing informs the development of classification systems and provides valuable information for pricing purposes. IHPA coordinates the annual National Hospital Cost Data Collection, which is the primary input into the NEP. This includes the development of national costing standards, collection, validation, quality assurance, analysis and reporting, and benchmarking. The cost collection is undertaken in conjunction with states and territories, and private hospitals.

**Determine data requirements and collect data**

Timely, accurate and reliable public hospital data is vital to both the development of classifications for hospital services, and to determine the NEP of those services. IHPA has developed a rolling Three Year Data Plan to communicate to the Commonwealth Government and states and territories the data requirements, data standards and timelines that IHPA will use to collect data over the coming three years. To ensure greater transparency, IHPA publishes data compliance reports on a quarterly basis that indicate jurisdictional compliance with the specifications in the rolling Three Year Data Plan.

**Resolve disputes on cost-shifting and cross-border issues**

IHPA has a role to investigate and make recommendations concerning cross-border disputes between states and territories, and to make assessments of cost shifting disputes.

**Conduct independent and transparent decision-making and engage with stakeholders**

IHPA conducts its work independently from governments, which allows the agency to deliver impartial, evidence based decisions. IHPA is transparent in its decision making processes and consults extensively with the Commonwealth Government, state and territory governments and other stakeholders to inform the methodology that underpins IHPA’s decisions and work program. IHPA has formal consultation processes in place to ensure that it draws on an extensive range of expertise in undertaking its functions. Stakeholder input from IHPA’s multiple advisory committees and working groups ensures that IHPA’s work is informed by expert advice, which helps to establish and uphold IHPA’s credibility throughout the health industry.

2. Key activities

The Independent Hospital Pricing Authority’s (IHPA) strategic objectives and the associated key deliverables for 2022–23 are detailed below.

IHPA notes that the deliverables outlined in the Work Program and Corporate Plan 2022–23 require jurisdictional participation and acknowledges the ongoing response to COVID-19 may limit the ability for jurisdictions to participate in some activities proposed by IHPA. Where this is the case IHPA will work with jurisdictions to identify work to be prioritised.

Strategic Objective One: Perform pricing functions

## **(**a) Development of the Pricing Framework for Australian Public Hospital Services 2023–24

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Completion of the public consultation process for the Pricing Framework for Australian Public Hospital Services 2023–24. | July 2022 |
| Provision of the draft Pricing Framework for Australian Public Hospital Services 2023–24 to health ministers for a 45-day comment period. | September 2022 |
| Publication of the final Pricing Framework for Australian Public Hospital Services 2023–24 on the IHPA website. | December 2022 |

**IHPA will develop the Pricing Framework for Australian Public Hospital Services 2023–24 (the Pricing Framework) to outline the principles, scope and methodology underpinning the development of the national efficient price (NEP) and national efficient cost (NEC) for public hospital services for 2023–24.**

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.

## (b) Determination of in-scope public hospital services eligible for Commonwealth funding under the National Health Reform Agreement

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Finalise decisions on the General List of In-Scope Public Hospital Services for additional or altered in-scope services for 2023−24. | December 2022 |

The [General List of In-Scope Public Hospital Services Eligibility Policy](https://www.ihpa.gov.au/publications/general-list-scope-public-hospital-services-eligibility-policy-0) outlines the process by which jurisdictions can make submissions to IHPA for public hospital services to be considered for inclusion or exclusion from the General List of In-Scope Public Hospital Services to receive Commonwealth funding.

Full details of the public hospital services determined to be in‑scope for Commonwealth funding are provided in the annual NEP Determination. In 2022–23, IHPA will assess jurisdiction submissions for additional or altered in-scope services for the NEP Determination 2023–24 (NEP23).

## (c) National Efficient Price and National Efficient Cost Determinations 2023–24

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Finalise decisions on jurisdictional submissions for legitimate and unavoidable cost variations to determine whether adjustments are required for the National Efficient Price Determination 2023−24. | December 2022 |
| Provide the draft National Efficient Price and National Efficient Cost Determinations 2023–24to health ministers for a 45-day comment period. | December 2022 |
| Publish the National Efficient Price and National Efficient Cost Determinations 2023–24 on the IHPA website. | March 2023 |

**Developing the national efficient price**

The NEP represents the price that will form the basis for Commonwealth payments to local hospital networks (LHNs) for each episode of care under the activity based funding (ABF) system. In accordance with the Addendum to the National Health Reform Agreement 2020–25 (the Addendum), IHPA will consider the actual cost of delivering public hospital services in as wide a range of hospitals as practicable. It will also take into account any legitimate and unavoidable variations in the costs of delivering health care services due to hospital characteristics (for example, size, type and location) and patient complexity (for example, Indigenous status, location of residence and demographic profile). Health ministers will be requested to identify any legitimate and unavoidable variations in costs and other factors that should be considered by IHPA in developing the NEP Determination.

**Developing the national efficient cost**

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 A49–A55 of the Addendum 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 (the Administrator) then calculates the Commonwealth contribution.

In 2022–23, IHPA will investigate options for implementing an independent review of the data sets used to determine the NEC to ensure the continued transparency and robustness of the model.

**Coronavirus disease 2019**

Coronavirus disease 2019 (COVID-19) has resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals. It is important that these changes are adequately accounted for in the national pricing model.

IHPA will continue to work with jurisdictions to understand the impacts of COVID-19 to ensure that changes to models of care, activity and costs are taken into account in refining the national pricing model for future Determinations.

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

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Investigation of options to reduce avoidable and preventable hospitalisations. | June 2023 |

The Addendum requires IHPA to continue approaches for sentinel events, hospital acquired complications (HACs) and avoidable hospital readmissions. The Addendum also requires IHPA to provide advice regarding investigation of new reforms, including options for reducing avoidable and preventable hospitalisations.

**Sentinel events**

Sentinel events are a subset of adverse patient safety events that are wholly preventable and result in serious harm to, or death of, a patient, where serious harm is defined to include requiring life-saving surgical or medical intervention, shortened life expectancy, permanent or long-term physical harm or permanent or long-term loss of function.

The Australian Commission on Safety and Quality in Health Care (the Commission) is responsible for maintaining the Australian Sentinel Events List, which was initially endorsed by Australian health ministers in 2002.

The Commission undertook a review of the Australian Sentinel Events List in 2017 and the updated 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](https://www.safetyandquality.gov.au/our-work/indicators/australian-sentinel-events-list/).

Since July 2017, IHPA has implemented a funding approach for sentinel events whereby a zero national weighted activity unit (NWAU) is assigned to an episode of care that includes a sentinel event. This approach is applied to all hospitals, comprising services funded on an ABF or block funded basis.

**Hospital acquired complications**

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 HACs list to ensure it remains clinically relevant.

Following a review of all complication groups in 2020, the Commission released Version 3.1 of the HACs list in March 2021, which includes an update to assist health services in monitoring the HACs in mental health related separations and refinements to HAC 4.5 (Other surgical complications requiring unplanned return to theatre) and HAC 14.2 (Arrhythmias). Version 3.1 of the HACs list is published on the [Commission’s website](https://www.safetyandquality.gov.au/our-work/indicators/hospital-acquired-complications).

Since July 2018, IHPA has implemented a HACs funding approach that incorporates a risk adjustment model that assigns individual patient episodes with a HAC complexity score (low, medium or high). This complexity score is used to adjust the funding reduction for an episode containing a HAC, on the basis of the risk of that patient acquiring a HAC.

**Avoidable hospital readmissions**

An avoidable hospital readmission occurs when a patient who has been discharged from hospital (defined as the index admission) is admitted again within a certain time interval (defined as the readmission) and the readmission is clinically related to the index admission and had the potential to be avoided through improved clinical management or appropriate discharge planning in the index admission.

The Commission developed a list of clinical conditions considered to be avoidable hospital readmissions, which was endorsed by health ministers in 2019. Version 1.0 of the list of avoidable hospital readmission conditions and specifications is available on the [Commission’s website](https://www.safetyandquality.gov.au/our-work/indicators/avoidable-hospital-readmissions).

Since July 2021, IHPA has implemented an avoidable hospital readmissions funding approach which applies a risk-adjusted NWAU adjustment to the index episode, based on the total NWAU of the associated readmission. A risk adjustment model has been derived for each readmission condition, aligning the risk of being readmitted for each episode of care, based on the most clinically relevant and statistically significant risk factors for that readmission condition.

**Safety and Quality Evaluation Framework**

Clause A172 of the Addendum requires IHPA to provide advice to health ministers on evaluating the implemented safety and quality reforms against a set of established principles to support consideration of new or additional reforms.

IHPA developed an evaluation framework in consultation with the jurisdictions, the Commission, the Administrator and key stakeholders for the evaluation of the implemented pricing and funding approaches for sentinel events, HACs and avoidable hospital readmissions.

IHPA, the Commission and the Administrator provided joint advice to health ministers in October 2021 on a proposed evaluation approach. IHPA is awaiting further advice from health ministers.

**Further safety and quality reforms**

Clause A173 of the Addendum requires IHPA, the Commission and the Administrator to provide advice to health ministers on additional options for the further development of safety and quality-related reforms.

As part of the joint advice provided to health ministers in October 2021, IHPA and the Commission investigated options for reducing avoidable and preventable hospitalisations, with a focus on patients with chronic and complex conditions. IHPA will continue to work with jurisdictions, the Commission and broader stakeholders to explore options for reducing avoidable and preventable hospitalisations.

## (e) Forecast of the national efficient price for future years

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Provide confidential national efficient price forecast for future years to jurisdictions. | December 2022 |

Clause B24(h) of the Addendum 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.

## (f) National Efficient Cost Supplementary Determination

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Publish the National Efficient Cost Supplementary Determination 2022–23. | December 2022 |

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 NEC Supplementary Determination in December of that year which provides an opportunity for states and territories to update their block funded amounts following the finalisation of state and territory government budgets.

## (g) Price harmonisation across care settings

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Investigate opportunities to harmonise prices across similar 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 a limited number of price weights across the admitted acute and non-admitted settings to ensure that similar services are priced consistently across settings. Price harmonisation ensures that there is no financial incentive for hospitals to treat patients 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.

IHPA will consider price harmonisation for haemodialysis, chemotherapy and other proposed areas for NEP23, noting the need for further analysis on the stability of the underlying data, the suitability of these services for harmonisation and the risk of unintended consequences.

## (h) Prostheses List reform

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Establish the prostheses public sector benchmark price. | April 2023 |

The Federal Budget 2021–22, released in May 2021, included a measure to modernise and improve the private health insurance Prostheses List. This measure will better align the price set for medical devices on the Prostheses List for private providers with those paid for in competitive markets such as those in the public hospital system over a four year period commencing 2021–22.

The Prostheses List reform will be implemented by the Commonwealth Department of Health in conjunction with IHPA, and in consultation with key stakeholders. IHPA’s primary responsibility is to establish a benchmark price for prostheses in the public sector.

In September 2021, IHPA released a [*Consultation Paper on a Methodology for Determining the Benchmark Price for Prostheses in Australian Public Hospitals*](https://www.ihpa.gov.au/past-consultations/consultation-paper-methodology-determining-benchmark-price-for-prostheses) which sought feedback on a number of key areas to assist in preparing the report to the Commonwealth Department of Health. This included:

* the data sources that could be used
* the proposed methodology for calculating the benchmark price; and
* any factors that should be accounted for to reflect differences between the public and private hospital sector.

IHPA developed the [*Methodology for determining the benchmark price for prostheses in Australian public hospitals*](https://www.ihpa.gov.au/publications/methodology-determining-benchmark-price-prostheses-australian-public-hospitals) (the Prostheses List Methodology) which includes IHPA’s policy decisions and summarises the feedback received from stakeholders. The Prostheses List Methodology was published on the IHPA website in December 2021.

IHPA provided an initial report on the benchmark price to the Commonwealth Department of Health in March 2022, with updated reports to be provided annually from 2023.

Strategic Objective Two: Refine and develop hospital activity classification systems

1. Admitted acute care

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Implement the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification, Australian Classification of Health Interventions and Australian Coding Standards Twelfth Edition. | July 2022 |
| Release the Australian Refined Diagnosis Related Groups Classification Version 11.0. | July 2022 |

**The classification system used for admitted care is the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), Australian Classification of Health Interventions (ACHI) and Australian Coding Standards (ACS); collectively referred to as ICD-10-AM/ACHI/ACS.**

ICD-10-AM/ACHI/ACS Twelfth Edition was developed in alignment with the [Governance framework for the development of the admitted care classifications](https://www.ihpa.gov.au/publications/governance-framework-development-admitted-care-classifications) in consultation with clinicians, jurisdictions and other health sector stakeholders represented on IHPA’s technical and advisory committees.

The ICD-10-AM/ACHI/ACS Twelfth Edition was approved by the Pricing Authority in November 2021 for implementation from 1 July 2022 and will be used to price admitted acute patient services for the National Efficient Price Determination 2022–23 (NEP22).

The Australian Refined Diagnosis Related Groups Classification (AR-DRGs) Version 11.0 was developed in alignment with the [Governance framework for the development of the admitted care classifications](https://www.ihpa.gov.au/publications/governance-framework-development-admitted-care-classifications) in consultation with clinicians, jurisdictions and other health sector stakeholders represented on IHPA’s technical and advisory committees.

AR-DRG V11.0 is in the final phases of consultation and is intended to be released in 2022–23.

## Mental health care

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Price community mental health care services using the Australian Mental Health Care Classification Version 1.0 for the National Efficient Price Determination 2023–24. | March 2023 |
| Refine the Australian Mental Health Care Classification. | Ongoing |

**The Australian Mental Health Care Classification (AMHCC) Version 1.0 was approved by the Pricing Authority in February 2016 and used to price admitted mental health care for NEP22.**

Upon completion of a two-year shadow period as required by the Addendum to the National Health Reform Agreement   
2020–25 (the Addendum), IHPA will use AMHCC Version 1.0 to price admitted mental health care for NEP22. Community mental health care will continue to be block funded while a second year of shadow pricing is undertaken using AMHCC Version 1.0. IHPA intends to price community mental health using AMHCC Version 1.0 for NEP23.

Following the implementation of AMHCC Version 1.0 for admitted and community mental health care, a pricing stabilisation phase will occur. During the stabilisation period, IHPA undertook a review of the AMHCC to identify specific areas for improvement for future refinement. This included reviewing the admitted and community setting complexity models.

## Subacute and non-acute care

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Price admitted subacute and non-acute care using the Australian National Subacute and Non‑Acute Patient Classification Version 5.0 for the National Efficient Price Determination 2023–24. | March 2023 |

The development of the Australian National Subacute and Non‑Acute Patient Classification (AN-SNAP) Version 5.0 was completed in late 2021.

IHPA has developed AN-SNAP Version 5.0 through detailed statistical analysis and consultation with jurisdictions, clinical experts and other subacute care stakeholders. AN-SNAP Version 5.0 represents a modest refinement of AN-SNAP and introduces a new variable to recognise frailty as a cost driver for geriatric evaluation and management and non-acute episodes of care. The [AN-SNAP Version 5.0 Final Report](https://www.ihpa.gov.au/publications/australian-national-subacute-and-non-acute-patient-classification-version-50) was released in December 2021.

For NEP22 IHPA priced admitted subacute and non-acute care using AN-SNAP Version 4.0 and shadow priced admitted subacute and non-acute care using AN-SNAP Version 5.0.

Following a one-year shadow period, and subject to assessment of the impact of shadow pricing and consultation with jurisdictions and key stakeholders, IHPA proposes to price admitted subacute and non-acute care using AN-SNAP Version 5.0 for NEP23.

## Non-admitted care

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Continue to maintain the Tier 2 Non‑Admitted Services Classification while undertaking development work for the Australian Non-Admitted Care Classification. | Ongoing |
| Continue to explore recommencing a costing study to support development of the Australian Non-Admitted Care Classification. | Ongoing |

The Australian Non-Admitted Care Classification (ANACC) will better describe patient characteristics and complexity of care to more accurately reflect the costs of non-admitted services. The new classification will account for changes in how care is delivered, and as electronic medical records evolve, will enable more detailed data capture to support testing of new funding models across multiple settings.

In 2019, a national costing study was initiated to collect non-admitted activity and cost data (including for non-admitted subacute care) and test the shortlist of presenting conditions, interventions and patient-centred variables. In July 2020, the national costing study was suspended due to the impact of Coronavirus disease 2019.

IHPA will continue to work with jurisdictions and key stakeholders to explore readiness for undertaking a new non-admitted care study, including consideration of whether methodology changes are required and monitoring of site and jurisdiction capacity for commencement.

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.

**The Tier 2 Non‑Admitted Services Classification categorises non‑admitted services into classes which are generally based on the nature of the service provided and the type of clinician providing the service.**

The data and knowledge gained through the development of ANACC will inform IHPA’s work to maintain the Tier 2 Non‑Admitted Services Classification while classification development takes place.

## Emergency Care

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Refine the Australian Emergency Care Classification Version 1.0. | Ongoing |

In late 2018, IHPA finalised the Australian Emergency Care Classification (AECC) Version 1.0. The AECC was approved by the Pricing Authority in July 2019 and used to price emergency department activities from 2021–22.

For NEP22, IHPA will use AECC Version 1.0 to price emergency department activities and Urgency Disposition Groups Version 1.3 to price emergency services.

IHPA will continue to support states and territories to improve data collection and reporting of existing variables along with future refinement of the classification. This includes progressing work to update the AECC complexity model based on recent national data and the consideration of new variables for collection in the Non-admitted patient emergency department care National Minimum Data Set. IHPA will investigate potential variables such as diagnosis modifiers, procedures and investigations for incorporation into future refinements of the AECC.

IHPA will also continue to work with states and territories to determine the feasibility of transitioning emergency services to be priced using the AECC.

## Teaching, training and research

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Continue to work with jurisdictions to implement the Australian Teaching and Training Classification. | Ongoing |

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

IHPA has developed the ATTC as a national classification for teaching and training activities which occur in public hospitals. The ATTC aims to provide a nationally consistent approach to how teaching and training activities are classified, counted and costed.

The ATTC will improve reporting of hospital-based teaching and training activities and in the future improve the transparency of funding. Jurisdictions broadly support ATTC but note there are challenges related to its implementation, such as the availability of activity and cost data.

In 2022–23, IHPA will continue to work with jurisdictions to increase awareness of the ATTC and improve the reporting of activity and cost data to support implementation. IHPA will work with jurisdictions to develop an implementation plan and timeframes for shadow pricing the ATTC, and investigate alternative models to block funding until the ATTC can be enabled.

Research is not incorporated into the ATTC and no further work is proposed for a research classification at this stage.

## Sales of the admitted acute care classification system

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Management of the international sales of the admitted acute care classification system. | Ongoing |

**IHPA assumed responsibility for managing the development and international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system as the custodian of the Commonwealth’s Intellectual Property in ICD-10-AM/ACHI/ACS and AR-DRGs in 2012–13.**

In 2022–23, IHPA will update its agreement documents to ensure currency and continue to manage the international sales of the ICD-10-AM/ACHI/ACS and AR-DRG classification system.

## Incorporating new technology in patient classification systems

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Update the Impact of New Health Technology Framework to streamline the process for assessing and incorporating new health technologies into the patient classification systems and the national pricing model. | July 2022 |
| Finalise the review of new health technologies based on reports received from jurisdictions, advisory bodies and other stakeholders. | May 2023 |

**The** [**Impact of New Health Technology Framework**](https://www.ihpa.gov.au/publications/impact-new-health-technology-framework-1) **(the 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 2021, IHPA commenced an extensive review of the process for assessing the impact of new health technologies on patient classification systems, with a view to update the Framework.

IHPA is refining the Framework to develop a more streamlined and timely process for assessing new health technologies for inclusion into the ABF system by activating newly developed placeholder codes in ACHI Twelfth Edition to identify new health technology interventions during the classification development cycle.

Clauses C11 and C12 of the Addendum contain specific arrangements for the Medical Services Advisory Committee (MSAC) to review new high cost, highly specialised therapies recommended for delivery in public hospitals. IHPA will support the inclusion of these technologies in the national efficient cost based on the advice from MSAC and the Commonwealth Department of Health. IHPA will incorporate high cost, highly specialised therapies into the Framework.

In 2022–23, IHPA will continue to monitor and review the impact of new health technologies on the existing classifications based on reports from jurisdictions, advisory bodies and other stakeholders and, where required, refer new health technologies for classification development.

Strategic Objective Three: Refine and improve hospital costing

## (a) Australian Hospital Patient Costing Standards

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Release the Australian Hospital Patient Costing Standards Version 4.2. | August 2022 |

The Australian Hospital Patient Costing Standards (AHPCS) are published for those conducting national costing activities, to promote consistency in data submissions. The AHPCS provide the framework for regulators, funders, providers and researchers for the cost data collection.

IHPA published the AHPCS Version 4.1 in August 2021. AHPCS Version 4.1 incorporated changes recommended following consultation with jurisdictions in relation to the impact of the Australian Accounting Standards Board 16 (AASB 16), which changed how leases are recognised in the general ledger. Public hospitals and local hospital networks were required to adopt AASB 16 in their financial statements and record lease data in general ledgers from the 2019–20 financial year.

In 2022–23 IHPA will review various components of the AHPCS, including clarifying the definition of third-party, clarifying the scope of items not reported in the general ledger and reviewing whether third-party expenses that are not paid for by the hospital or that sit outside the scope of the National Health Reform Agreement should be imputed, in consultation with jurisdictions. IHPA aims to release the AHPCS Version 4.2 in August 2022.

## (b) National Hospital Cost Data Collection for public and private hospitals

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Release Round 25 of the National Hospital Cost Data Collection public sector report. | March 2023 |
| Release Round 25 of the National Hospital Cost Data Collection private sector report. | March 2023 |

**In 2022–23, IHPA will continue to collect and analyse the National Hospital Cost Data Collection (NHCDC) and will continue to develop a stronger compliance framework in conjunction with the NHCDC Advisory Committee.**

Since IHPA’s implementation of the Secure Data Management System, 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) National Hospital Cost Data Collection Independent Financial Review

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Release the National Hospital Cost Data Collection Round 25 Independent Financial Review. | March 2023 |

An annual component of the NHCDC cycle is the Independent Financial Review. IHPA commissions an independent body to review the 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 review and reconciliation of the data flow from hospital submission through to finalisation in the national dataset.

## (d) Costing private patients in public hospitals

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| IHPA will continue to work towards phasing out the private patient correction factor for all jurisdictions for the National Efficient Price Determination 2023–24. | March 2023 |

The collection of private patient medical expenses has previously been problematic in the NHCDC. For example, there is a common practice in some jurisdictions of using Special Purpose Funds to collect associated revenue (such as 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, however due to the impacts of Coronavirus disease 2019, the private patient correction factor was not removed for the majority of states and territories for National Efficient Price Determination 2022–23.

IHPA will continue to work with the remaining states and territories to phase out the private patient correction factor for the National Efficient Price Determination 2023–24.

## (e) Costing studies

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Investigation of organ donation, retrieval and transplantation costs. | December 2022 |

To support the NHCDC, IHPA undertakes a wide range of separate costing studies. Costing studies are undertaken in areas of the NHCDC that are still in their infancy or where there is considerable stakeholder feedback to investigate costing in a certain area within the health system.

IHPA and jurisdictional stakeholders have recognised the need to appropriately cost organ donation, retrieval and transplantation since 2014, and introduced a number of support strategies.

IHPA will review the current costing arrangements for organ donation, retrieval and transplantation, and non-admitted pre and post organ transplantation care. IHPA will work with jurisdictions to investigate undertaking further projects to examine organ donation, retrieval and transplantation classifications, and activity and cost data sets to ensure they appropriately reflect the volume and costs associated with activities related to organ donation.

Strategic Objective Four: Determine data requirements and collect data

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

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Publish the Three Year Data Plan 2023–24 to 2025–26. | June 2023 |

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

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 2022–23, IHPA will update the rolling Three Year Data Plan and provide it to the Health Chief Executives Forum and the Health Ministers’ Meetings, which have been established as the replacements for the Australian Health Ministers’ Advisory Council and the Council of Australian Governments Health Council respectively, for consideration.

## (b) Data specification development and revision

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Complete the annual review of activity based funding National Best Endeavours Data Sets and National Minimum Data Sets. | December 2022 |

IHPA completes an annual review of the activity based funding (ABF) National Best Endeavours Data Sets and National Minimum Data Sets to incorporate data elements required for ABF with existing data collections.

IHPA will continue to work closely with the national health data committees to incorporate new elements as required for classification development, and to consolidate existing data collections.

## (c) Individual Healthcare Identifier

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Implement the Individual Healthcare Identifier into national health data sets. | July 2022 |

The Individual Healthcare Identifier (IHI) is an existing patient identifier that could be included in national data sets to 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 health care proposals across different hospitals and service settings.

In October 2021, the National Health Data and Information Standards Committee endorsed the inclusion of the IHI in national data collections on a best endeavours basis.

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

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Further develop the Secure Data Management System functionality. | Ongoing |

**In 2017, IHPA implemented a new Secure Data Management System (SDMS) which comprises 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 is working on refreshing the SDMS to consolidate improvements made since 2017 and update the system to operate using modern architectures and practices. Further improvements are expected to improve the robustness and speed of data submission, loading and validation on the SDMS.

IHPA will continue working with key stakeholders to enhance the data submission portals in the SDMS.

## (e) Collection of activity based funding activity data for public hospitals

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Collect jurisdictional submissions for March quarter 2022 activity based funding activity data. | June 2022 |
| Collect jurisdictional submissions for June quarter 2022 activity based funding activity data. | September 2022 |
| Collect jurisdictional submissions for September quarter 2022 activity based funding activity data. | December 2022 |
| Collect jurisdictional submissions for December quarter 2022 activity based funding activity data. | March 2023 |

During 2022–23, IHPA will continue its collection of ABF activity data on a quarterly basis and sentinel events data on a biannual basis. Teaching, training and research and hospital cost data provided through the NHCDC will continue to be reported on an annual basis.

IHPA commenced a new data submission to identify activity eligible for alternative funding arrangements under the Addendum to the National Health Reform Agreement 2020–25 (the Addendum) or the *National Partnership Agreement on the COVID-19 Response*. The supplementary data is submitted to IHPA along with quarterly ABF activity data submissions.

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

## (f) Data compliance

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Publish data compliance report for March quarter 2022. | September 2022 |
| Publish data compliance report for June quarter 2022. | December 2022 |
| Publish data compliance report for September quarter 2022. | March 2023 |
| Publish data compliance report for December quarter 2022. | June 2023 |

IHPA publishes details of jurisdictional compliance with data requirements as required by clause B81 of the Addendum. 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 the IHPA 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.

## (g) Promoting access to public hospital data

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Continue to expand access to the National Benchmarking Portal. | July 2022 |

The National Benchmarking Portal (NBP) is a secure web‑based application that allows users to compare cost and activity from hospitals around the country. It provides users the ability to compare differences in activity, cost and efficiency at similar hospitals using national weighted activity units, as well as comparing rates of hospital acquired complications (HAC).

In 2018, IHPA added HAC risk adjustment measures to the NBP in support of pricing for the safety and quality of hospital service delivery. In 2021, IHPA worked 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. In   
2022–23 IHPA will include avoidable hospital readmission rates to the NBP

IHPA will provide public access to the NBP from July 2022.

Strategic Objective Five: Resolve disputes on cost‑shifting and cross-border issues

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

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Conduct annual review of the Cost-Shifting and Cross-Border Dispute Resolution  Policy. | June 2023 |

As outlined in Part 4.3 of the *National Health Reform Act 2011*, IHPA has a role to investigate and make recommendations concerning cross‑border disputes and to make assessments of cost-shifting disputes.

IHPA developed the [Cost-Shifting and Cross-Border Dispute Resolution Policy](https://www.ihpa.gov.au/publications/cost-shifting-and-cross-border-dispute-resolution-framework-2) to guide timely, equitable and transparent processes to investigate both cross‑border and cost-shifting disputes.

The [Cost-Shifting and Cross-Border Dispute Resolution Policy](https://www.ihpa.gov.au/publications/cost-shifting-and-cross-border-dispute-resolution-framework-2) 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 [Cost-Shifting and Cross-Border Dispute Resolution Policy](https://www.ihpa.gov.au/publications/cost-shifting-and-cross-border-dispute-resolution-framework-2) for all parties involved within the bounds of the prescribed legislative requirements.

Strategic Objective Six: Conduct independent and transparent decision-making and engage with stakeholders

## (a) Monitor and evaluate the introduction of activity based funding

|  |  |
| --- | --- |
| DELIVERABLE | TIMEFRAME |
| Provide quarterly activity based funding activity data reports to the Pricing Authority and Jurisdictional Advisory Committee. | Ongoing |

**In 2022–23, 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 activity based funding (ABF) implementation on the delivery of public hospital services through the ABF Monitoring Framework.**

Consistent with clause A25 of the Addendum to the National Health Reform Agreement 2020–25 (the Addendum), 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 activity based funding related research

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Publish evidence-based activity based funding related research and analysis. | Ongoing |
| Development of a funding methodology for trials of innovative funding models. | Ongoing |

**In accordance with clause B31 of the Addendum, IHPA may undertake research. Evidence-based research plays a 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 in relation to classifications, coding standards and pricing methodologies. As a result, IHPA will be better positioned to determine a national efficient price that accurately reflects the costs experienced by Australian public hospitals.

**Publication of ABF related research**

IHPA considers that broadening access to its data and 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.

**Innovative funding models**

The Addendum and the Pricing Guidelines include provisions for IHPA to consider the impact on its work of evidence‑based, effective new technologies and innovations in models of health care. IHPA maintains a watching brief on emerging trends in health care to ensure that the 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 an increased need to focus on delivering value-based health care aimed at improving patient outcomes and experiences.

Schedule C of the Addendum contains key references to paying for value and outcomes through supporting innovative models of care and trialing new funding arrangements.

IHPA is in the process of developing project parameters and business rules for innovative funding models to pilot with interested jurisdictions in 2022–23, pending jurisdictional capability and capacity. IHPA notes the importance of considering patient factors and access to care in the non-admitted and community setting in any innovative funding model. IHPA will work closely with jurisdictions and clinical experts to facilitate the implementation pathway for trialling state and territory nominated innovative funding models.

## (c) Support activity based funding education at a national level

|  |  |
| --- | --- |
| DELIVERABLES | TIMEFRAME |
| Implementation of strategies, tools and working papers to ensure that IHPA is providing information that will support its stakeholders. | Ongoing |
| IHPA Annual Conference. | August 2023 |
| Educational webinar series. | Ongoing |

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

In 2022–23, IHPA will continue to implement strategies to ensure that it is providing information that will support its stakeholders and guide ABF education activities, through the provision of education tools and resources.

**IHPA holds an annual conference aimed at providing high-quality education. 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 health care industry about how their systems function.**

The ongoing Coronavirus disease 2019 restrictions have prompted IHPA to look at alternative ways to deliver its educational responsibilities as outlined in the IHPA Work Program and Corporate Plan 2022–23.

Delivering educational programs on ABF will ensure that there are continuing opportunities for engagement and professional development, and will present an opportunity for delegates from diverse roles and backgrounds.

**IHPA has released a seven-part educational webinar series as part of its educational offering for local and international health professionals.**

In June 2021, IHPA released a bimonthly webinar series designed to educate interested local and international health professionals. Each session is delivered through an interactive portal and addresses key learning outcomes, highlighting the fundamental building blocks relating to ABF and where stakeholders’ roles fit within the lifecycle of the various IHPA projects.

The live webinars provide health professionals with the opportunity to engage directly with IHPA senior leaders, technical advisors and industry experts to learn more about how their work supports pricing and funding of public hospital services in Australia.

3. Operating context

The operating context describes the Independent Hospital Pricing Authority’s (IHPA) environment, capability, cooperation and collaboration, and enterprise risk.

3.1 Environment

IHPA operations are influenced by advances in technology that enable digitisation, automation and visualisation. International and Australian developments in standards, best practice and research continuously inform policy and practice.

**Coronavirus disease 2019**

Coronavirus disease 2019 (COVID-19) has resulted in significant and potentially long lasting changes to models of care and service delivery in Australian public hospitals. It is important that the impact of COVID-19 is adequately accounted for in the national pricing model. IHPA continues to work with jurisdictions to understand the changes to, and the cost drivers of, the delivery of public hospital services as a result of the COVID-19 pandemic.

3.2 Capability

**Human resources**

IHPA continues to place great value in creating a more productive and inclusive workplace, and is committed to the recruitment and retention of a diverse workforce. The agency supports a flexible work environment, and will continue to support all staff to optimise balance between their work performance and outside factors.

The volume of highly technical work conducted by IHPA requires significant specialist workforce capability. IHPA’s workforce planning strategies will continue to emphasise both core public sector skills and the enhancement of the expert skills IHPA requires to meet its pricing and funding objectives.

IHPA will also continue to strengthen its management and leadership teams by enhancing performance feedback and providing targeted learning and development programs.

The key focus areas for 2022–23 include continuing to:

* develop capability through attendance at internal and external training opportunities
* monitor staff turnover rates and give genuine consideration to feedback provided through the annual Australian Public Service ‘State of the Service’ report
* support flexible working arrangements and agile work practices.

**Infrastructure**

In 2022–23, IHPA will continue to enhance infrastructure to support the national activity based funding system by:

* developing and refining new and existing hospital activity classifications through specialist input from clinicians and other stakeholders
* establishing and maintaining national costing standards
* developing and maintaining standards for activity data collections, including the annual publication of the Three Year Data Plans
* publishing a quarterly report outlining jurisdictional compliance with the data requirements and data standards as set out in the Three Year Data Plan.

**Information and communication technology**

Information and communication technology are essential to IHPA’s core business and performance. It enables data analysis, digitisation, automation, visualisation, engagement and a highly mobile and flexible workforce. Robust measures are in place to continuously maintain, test and upgrade data security.

IHPA will continue to utilise secure cloud capabilities to deliver its Secure Data Management System (SDMS) and other secure information-based systems. The SDMS allows jurisdictions to securely submit data to IHPA, and for IHPA to securely retain this information while intensive analysis is undertaken and eliminates the risk of unauthorised data transfer on portable devices.

3.3 Cooperation and collaboration

IHPA works with stakeholders from government agencies, research and educational facilities, the community and industry. This is achieved through consultative and advisory committees and working groups with expertise in specialised fields enabling a knowledge pipeline for technical advances and best practice innovation. IHPA’s advisory committee and working group structure is illustrated in **Table 1**.

**Table 1. List of IHPA committees and working groups**

|  |  |  |  |
| --- | --- | --- | --- |
| **Board** | **Committees** | **Working groups** | |
| Pricing Authority | Clinical Advisory Committee  Jurisdictional Advisory Committee  Stakeholder Advisory Committee  Technical Advisory Committee  National Hospital Cost Data Collection Advisory Committee | Emergency Care Advisory Working Group  Mental Health Working Group  Teaching, Training and Research Working Group  Subacute Care Working Group | Small Rural Hospitals Working Group  Non-admitted Care Advisory Working Group  Diagnosis Related Groups Technical Group  Classifications Clinical Advisory Group  International Classification of Diseases Technical Group |

3.4 Enterprise risk

Since the agency’s formation in 2011, IHPA has established a robust system of risk management and controls to assist in its governance. IHPA’s board, the Pricing Authority, delivers the functions detailed in the *National Health Reform Act 2011* (the NHR Act). The Pricing Authority approves IHPA’s core business activities including the national efficient price and national efficient cost Determinations for public hospital services annually, and building national classification systems for all public hospital services.

IHPA’s enterprise approach to risk management uses tools that address the strategic and tactical risks of all significant decisions. IHPA has a comprehensive risk management framework and a detailed risk appetite statement, which is regularly reviewed. IHPA’s enterprise risks are outlined below.

**Strategic risks**

Strategic risks are identified with reference to current business and environmental issues facing IHPA. These risks fall into three major risk categories:

* reputational risks
* data and information governance risks
* corporate risks.

Additionally, IHPA maintains a shared Strategic Risk Register with the National Health Funding Body, which identified two risks that both agencies have agreed to manage jointly:

* incorrect calculation of Commonwealth funding entitlements
* changes to models that have not been effectively modelled and/or implemented.

IHPA’s strategic risks are actively managed through audits, assurance, and internal control processes. Where new risks emerge, resources are assigned to understand and manage those risks. They are reviewed biannually or as required.

**Tactical risks**

Tactical risks are managed through a decision-based risk management tool, which requires recording of the risk and a formal decision on the managed likelihood and consequence of the risk. The assessment tool forms part of any major decision, ensuring that the final decision maker is fully informed and cognisant of managed risk outcomes during the decision making process. IHPA has a mature enterprise risk management framework in place, and risk management is considered a business as usual activity for all IHPA staff.

**Policies and procedures**

Policies support IHPA’s vision and purpose by setting out compatible rules to govern core business. They influence and determine all major decisions and activities that take place within the boundaries set by them. Policies reinforce and clarify legislative and regulatory requirements, expectations and standards. Policies are complemented by procedures which are the specific methods to action policy in day-by-day operations. IHPA reviews its policies and procedures on an annual basis or as required to ensure their relevance, and to take advantage of the latest developments and innovations in theory, technology and practice.

**Fraud Control Plan**

IHPA’s fraud control plan is recognised as a critical internal tool used to mitigate the act and consequences of the unauthorised use of IHPA data and financial resources. It is updated regularly to incorporate changes to the Commonwealth Fraud Control Framework. The plan encourages ethical behaviour through the use of business processes designed to prevent deceptive activities, supported by monitoring controls to detect fraud and deter offending behaviour, and is reviewed annually or as required.

**Compliance**

IHPA has a broad range of compliance obligations, including key statutory obligations set out in the NHR Act, the National Health Reform Agreement, the *Public Governance Performance and Accountability Act 2013*, and the Public Governance Performance and Accountability Rule 2014. Other legal and compliance obligations include, work health and safety, privacy, freedom of information, intellectual property, the Protective Security Policy Framework, website accessibility and records management. The Chief Executive Officer (CEO) manages assurances on IHPA’s compliance obligations through an organised system of controls and special exercises, including substantive testing, monthly reports, exception notifications, and compliance audits undertaken by an independent internal auditor.

**Financial authorisation**

As a corporate Commonwealth Agency, IHPA is not required to adhere to the Commonwealth Procurement Rules, but chooses to do so as a matter of best practice. All of IHPA’s procurement decisions are made in accordance with the Commonwealth Procurement Rules. Line managers have value and purchase class limits in accordance with the delegation of financial authorities that are approved and reviewed regularly by the CEO, as the accountable authority.

**Audit, Risk and Compliance Committee**

The IHPA Audit, Risk and Compliance Committee provides independent advice and assurance to the CEO on IHPA’s accountability and control framework and corporate governance arrangements. Risks and an outline of the associated controls are at **Table 2**.

**Table 2. Risk and controls**

|  |  |
| --- | --- |
| **Risk** | **Outline of Controls** |
| **Reputational** | |
| IHPA is not seen as an independent organisation | Regularly update the governance framework |
| Consultation with all state and territory government committees and working groups |
| Public consultation processes |
| Expert advice and quality assurance in delivering core functions |
| Transparent evidence-based methodology in decision-making |
| Media monitoring and proactive media briefing |
| Communication of IHPA’s role is not effective | Annual Activity Based Funding Conference |
| Extensive stakeholder consultation |
| Public consultation processes |
| Consolidated social media engagement presence |
| Media briefing on significant decisions and bodies of work |
| **Data and Information Governance Risks** | |
| Data accuracy | Governance structure and business processes established to check the quality and integrity of incoming and outgoing data |
| Activity reporting quarterly |
| Delays in the provision of data | Data compliance process in place |
| A data breach occurs | Systems, policies and procedures are in place to prevent data breaches |
| Annual Data Governance assurance audits conducted by internal auditors |
| Core business records not retained | IHPA uses the Department of Health TRIM based record management system for its core business records which ensures regular secure backup |
| IHPA data is independently maintained in accordance with Australian Government requirements |
| **Information and Communication Technology** | |
| ICT performance and suitability | Comprehensive IT management policies |
| Compliance with Australian Commonwealth information requirements |
| Use of expert advisers to provide security advice |
| **Outsourcing and Procurement** | |
| Procurement process and contract outcomes | Experts provide procurement advice |
| Level of advice considered based on risk assessments on all projects |
| Comprehensive and regularly updated procurement and contract management policies and templates |
| Staff training |
| **Physical Security** | |
| Physical security of staff, visitors or contractors/asset security | Staff have annual security training |
| Security checks undertaken |

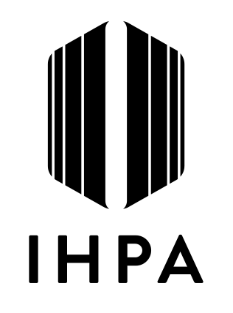
**Independent Hospital Pricing Authority**

Eora Nation, Level 12, 1 Oxford Street  
Sydney NSW 2000

**Phone** 02 8215 1100

**Email** [enquiries.ihpa@ihpa.gov.au](mailto:enquiries.ihpa@ihpa.gov.au)

**Twitter** @IHPAnews

www.[ihpa.gov.au](http://ihpa.gov.au)