



IHACPA

Media release

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Pricing Framework for Australian Public Hospital Services 2024–25 open for public consultation

The Independent Health and Aged Care Pricing Authority (IHACPA) has today released its Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2024–25 (the Consultation Paper).

The consultation is open to the public for 30 days until Friday 14 July 2023.

The Consultation Paper is IHACPA's main opportunity for stakeholders to provide input on the policy approach to develop the National Efficient Price (NEP) and National Efficient Cost (NEC) Determinations for Australian public hospital services.

The Chair of the Pricing Authority, Mr David Tune AO PSM said, "our ongoing partnership with a broad range of stakeholders ensures we can continue to improve efficiency, accountability and transparency across the public health care system."

Feedback received from stakeholders through this consultation will inform the development of major policy decisions outlined in the final Pricing Framework for Australian Public Hospital Services 2024–25, which underpins the NEP and NEC Determinations. These determinations play a crucial role in calculating the Commonwealth funding contribution to Australian public hospitals for the 2024–25 financial year.

The focus of this year's consultation is to seek feedback on the agency's proposed introduction of new classifications, investigation of refinements to the national pricing model, and understanding the impact of coronavirus disease (COVID-19) on public hospital service delivery.

Introduction of new classifications for NEP24

Nationally consistent classifications for services provided in public hospitals form the foundation of activity based funding. IHACPA routinely undertakes reviews and updates of existing classifications and develops new classifications for those service categories without an existing classification.

For the development of the NEP Determination 2024–25 (NEP), IHACPA proposes to use the Australian National Subacute and Non-Acute Patient Classification (AN-SNAP) Version 5.0 to price subacute and non-acute services. IHACPA also proposes to transition community mental health care from block funding to activity based funding using the Australian Mental Health Care Classification (AMHCC) Version 1.0. This milestone follows the introduction of the AMHCC Version 1.0 to price admitted mental health care in 2022–23.

Mr Tune said, "Classification refinement and the introduction of new classifications is an important step in improving funding transparency and ensuring the data underpinning the NEP and NEC Determinations remains clinically relevant, reflecting the volume and complexity of care delivered".

Through this consultation, IHACPA is seeking stakeholder feedback on any significant barriers to progressing with these pricing proposals, including measures to support

Independent Health and Aged Care Pricing Authority

Eora Nation, Level 12, 1 Oxford Street Sydney NSW 2000 | PO Box 483 Darlinghurst NSW 1300
P +61 2 8215 1100 | ABN: 27 598 959 960

transitioning community mental health care from block funding to activity based funding for NEP24.

Refinements to the national pricing model

As public hospital service delivery and its operating context continues to evolve, IHACPA reviews activity and cost data, and model performance, to inform the development of the NEP each year. As part of this process, IHACPA investigates newly proposed adjustments or reviews existing adjustments to ensure they account for legitimate and unavoidable cost variations, in line with the intent of the National Health Reform Agreement (the NHRA) and the Pricing Guidelines.

At present, the NEP incorporates adjustments to reflect the legitimate and unavoidable cost variations associated with treating patients in a specified ICU or who are 17 years of age or less that are treated in a specialised children’s hospital. To inform the development of NEP24, IHACPA will review the ICU adjustment, including the eligibility criteria to be listed as a specified ICU, and the eligibility criteria to be listed as a specialised children’s hospital.

“Review of adjustments and the eligibility criteria underpinning them is essential to better understand the sustained differences in costs of providing services in these more specialised facilities, and what factors contribute to these cost variations, to ensure the adjustments remain fit for purpose and reflect the intent of the NHRA,” noted Mr Tune.

In setting the NEP, IHACPA also indexes costs from the latest available data to estimate those in the year in which the pricing model applies to address the three-year time lag in the available data. For NEP24, IHACPA will review the NEP and NEC indexation methodologies in consultation with jurisdictions to test alternative methodologies, modelling techniques and cost data that might better reflect the changes in costs over time.

The Consultation Paper seeks feedback on all of these reviews, including evidence that demonstrates the underlying drivers of differences in costs across more specialised ICUs or children’s hospitals, or alternative measures of price inflation which reflect cost increases in the delivery of Australian public hospital services, or health services in small rural or specialist metropolitan hospitals, and the factors contributing to the growth in costs.

Impact of COVID-19

The development of NEP24 will use activity and cost data from the 2021-22 financial year whereby the entirety of activity was impacted by the COVID-19 pandemic.

The consultation seeks stakeholder feedback on how impacts resulting from the COVID-19 pandemic are reflected in activity and cost data, and how they should be accounted for in the NEP and NEC Determinations for 2024–25.

Submissions

Feedback can be emailed to submissions.ihacpa@ihacpa.gov.au or posted to PO Box 483, Darlinghurst NSW 1300.

“We encourage all interested parties to provide feedback as part of this process,” concluded Mr Tune.

Feedback gathered in the public consultation process will be used to inform the policy decisions in the Pricing Framework for Australian Public Hospital Services 2024–25, which will be released in December 2023, ahead of the NEP and NEC Determinations 2024–25, which will be released in March 2024.

ENDS

For media enquiries, contact:

Toni Ford, Director of Communications, IHACPA
0468 517 253 | communications.ihacpa@ihacpa.gov.au

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