

**Australian and New Zealand Society of Nephrology**

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6 June 2024

Professor Michael Pervan  
IHACPA PO Box 483,  
Darlinghurst NSW 1300

Dear Professor Pervan,

**RE: Feedback on the approach to classification and pricing model development for home dialysis therapies**

We are writing to you on behalf of the Australian and New Zealand Society of Nephrology (ANZSN) to express our serious concerns regarding the reduction by the Independent Hospital Pricing Authority (IHACPA) of the NWAU (activity-based funding) allocation for peritoneal dialysis (PD) and more recently for home haemodialysis (HHD). This is in the context of a nationwide in-centre haemodialysis capacity crisis which will be further exacerbated if home dialysis options are made less financially viable for services to provide, or if quality of care for home dialysis patients is compromised.

The changes in question relate to home dialysis (both PD and HHD) funding:

- HHD weighting for 23/24 was 0.90 NWAU per service event (\$65K per patient per year). **The weighting dropped by 59% to 0.34 in 24/25 FY (\$26K per patient year).**
- PD weighting for 22/23 was 0.94 NWAU per service event (\$65K per patient per year). **The weighting was dropped to 0.43 NWAU in 23/24 FY (\$31K per patient per year) with a small increment to 0.47 NWAU (\$37K per patient year).**

The NHCDC dataset for PD and HHD demonstrates extremely large variations in costs within and between jurisdictions and reported costs that clearly lack face validity. Table 1 and 2 below summarises the variability in costing data for both PD and HHD in Queensland.

We are concerned that the pricing variability in this complex area is due to inconsistent costing approaches by different service providers across jurisdictions, or variability in costs experienced by different units, which may be related to differences in the cost of training and support in various locations. Neither of these possibilities are remedied or accounted for in the current pricing framework resulting in a potentially inaccurate pricing determination.

We are requesting a comprehensive review of the approach to classification and pricing model development for home dialysis therapies which should include:

1. Conduct a full cost analysis to capture the range of expenses associated with PD and Home HD, including equipment, supplies, training, support, and home modifications.

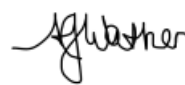
2. Make the analysis publicly available to assist units and jurisdictions to better capture actual cost of these activities.
3. Adjust Pricing Models to reflect the true costs identified in the comprehensive cost analysis, including flexible pricing to account for variations based on the location of patients and units, as well as other factors highlighted in the cost analysis.
4. Implement a mechanism for ongoing review and adjustment of pricing models to ensure the pricing determination aligns with actual costs, replacing the current variable cost reporting by units.

Thank you for addressing our concerns and recommendations.

Yours sincerely,



A/Prof Rathika Krishnasamy  
President ANZSN



Dr Amanda Mather  
Chair, Policy and Quality Committee ANZSN

Table 1 Costing Variability for Peritoneal Dialysis

| LHN ID       | Seps         |              | Average Cost       |                    | Min EpisodeCost |             | Max EpisodeCost     |                     |
|--------------|--------------|--------------|--------------------|--------------------|-----------------|-------------|---------------------|---------------------|
|              | 2022-23      | 2021-22      | 2022-23            | 2021-22            | 2022-23         | 2021-22     | 2022-23             | 2021-22             |
| 312          | 456          | 471          | \$ 608.91          | \$ 140.69          | \$ 585.13       | \$ 13.31    | \$ 2,316.25         | \$ 1,453.10         |
| 313          | 554          | 509          | \$5,363.94         | \$ 257.11          | \$ 39.75        | \$ 40.78    | \$ 7,147.93         | \$ 1,032.44         |
| 314          | 151          | 213          | \$ 319.99          | \$ 112.80          | \$ 271.37       | \$ 22.58    | \$ 1,685.99         | \$ 1,327.00         |
| 316          | 338          | 276          | \$ 272.60          | \$ 252.84          | \$ 60.34        | \$ 174.40   | \$ 3,103.20         | \$ 4,132.19         |
| 318          | 279          | 237          | \$4,698.32         | \$5,166.81         | \$ 34.82        | \$ 25.23    | \$ 5,925.34         | \$ 7,656.57         |
| 319          | 154          | 135          | \$2,889.25         | \$2,632.27         | \$2,878.60      | \$ 2,611.44 | \$ 3,453.53         | \$ 3,322.61         |
| 320          | 928          | 867          | \$ 584.10          | \$ 118.86          | \$ 15.81        | \$ -        | \$ 5,976.88         | \$ 33,865.50        |
| 321          | 210          | 258          | \$2,572.60         | \$2,290.35         | \$ 69.15        | \$ 195.87   | \$ 5,916.94         | \$ 3,182.32         |
| 322          | 1,894        | 1,948        | \$5,218.73         | \$4,350.48         | \$4,302.51      | \$ 16.63    | \$ 12,645.53        | \$ 12,684.44        |
| 323          | 495          | 532          | \$2,857.45         | \$2,737.16         | \$2,655.09      | \$ 309.06   | \$ 4,282.76         | \$ 6,068.02         |
| 324          | 75           |              | \$1,142.88         |                    | \$ 519.57       |             | \$ 1,521.25         |                     |
| 325          | 411          | 338          | \$4,851.31         | \$4,776.39         | \$ 199.18       | \$ 222.01   | \$ 5,493.67         | \$ 5,246.63         |
| <b>State</b> | <b>5,945</b> | <b>5,784</b> | <b>\$ 3,297.92</b> | <b>\$ 2,439.51</b> | <b>\$ 15.81</b> | <b>\$ -</b> | <b>\$ 12,645.53</b> | <b>\$ 33,865.50</b> |

Table 2: Costing Variability for Home Haemodialysis

| LHN                | Seps         |              | Average Cost      |                   | Min EpisodeCost |               | Max EpisodeCost    |                    |
|--------------------|--------------|--------------|-------------------|-------------------|-----------------|---------------|--------------------|--------------------|
|                    | 2022-23      | 2021-22      | 2022-23           | 2021-22           | 2022-23         | 2021-22       | 2022-23            | 2021-22            |
| 312                | 395          | 337          | \$617.79          | \$146.68          | \$585.13        | \$107.34      | \$2,816.39         | \$1,567.47         |
| 313                | 149          | 159          | \$5,373.76        | \$265.46          | \$1,799.28      | \$234.33      | \$6,256.54         | \$1,391.72         |
| 316                | 64           | 72           | \$166.53          | \$229.14          | \$0.99          | \$1.92        | \$1,029.08         | \$1,419.87         |
| 318                | 67           | 44           | \$4,832.44        | \$4,463.49        | \$3,498.96      | \$3,444.71    | \$5,698.07         | \$7,132.76         |
| 319                | 181          | 183          | \$2,928.07        | \$2,652.26        | \$2,878.60      | \$417.86      | \$4,107.81         | \$3,324.05         |
| 320                | 442          | 456          | \$122.85          | \$87.99           | \$28.09         | \$0.00        | \$1,797.67         | \$6,426.24         |
| 322                | 821          | 871          | \$5,406.43        | \$4,213.44        | \$5,366.93      | \$37.20       | \$9,236.75         | \$7,670.28         |
| 323                | 302          | 273          | \$1,504.53        | \$1,439.79        | \$994.34        | \$944.26      | \$24,982.58        | \$24,839.48        |
| 325                | 210          | 222          | \$4,366.73        | \$4,034.13        | \$3,751.51      | \$455.41      | \$11,317.14        | \$5,331.73         |
| 327                | 73           |              | \$395.07          |                   | \$38.13         |               | \$1,759.43         |                    |
| <b>Grand Total</b> | <b>2,704</b> | <b>2,617</b> | <b>\$2,885.48</b> | <b>\$2,211.91</b> | <b>\$0.99</b>   | <b>\$0.00</b> | <b>\$24,982.58</b> | <b>\$24,839.48</b> |
|                    |              |              |                   |                   |                 |               |                    |                    |
|                    |              |              |                   |                   |                 |               |                    |                    |