



Australian Government
Department of Health

ABF Conference 2016

The future is bright for ABF

.....looking to the next 4 years

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Progressing Health Reform

1. COAG Heads of Agreement – 1 April 2016
2. Public Hospital Funding – continuation of ABF
3. Reform for quality health outcomes
 - i. Coordinated Care
 - ii. Pricing for Safety and Quality
 - iii. Avoidable Re-admissions
4. Broader System Reforms



COAG Heads of Agreement

1 April 2016 – the Council of Australian Governments (COAG) signed the **Heads of Agreement on Public Hospital Funding.**

Under this Agreement:

- additional **\$2.9 billion** in funding from 1 July 2017 to 30 June 2020
- Key components of **ABF** retained, including National Efficient Price
- The Administrator of the National Health Funding Pool and National Health Funding Body will continue
- Health reforms to improve quality of care



COAG Heads of Agreement

Health Reforms to Improve Quality of Care

The Agreement focuses effort on key health reforms which will improve health outcomes and decrease avoidable demand for public hospital services, through:

- Better **coordinated care**, particularly for patients with complex and chronic conditions;
- Funding and pricing for **quality and safety**, to avoid funding unnecessary or unsafe care;
- Reducing **avoidable readmissions** to hospital.

The Commonwealth and the States have committed to **work together** to develop and implement these reforms from 1 July 2017.



Public Hospital Funding Model

- Policy Parameters
 - **Activity Based Funding (ABF)** as the primary financing mechanism to **support transparency, efficiency and productivity in the public hospital system**
 - Commonwealth funding share calculated at **45 per cent** of the efficient growth
 - **Capped indexation** of 6.5 per cent for a period of 3 years 2017-18 to 2019-20
 - Commitment by the States to work with the Commonwealth on further **reforms to reduce demand for public hospital services**
- Principles (for funding model and funding cap)
 - **ABF as the primary financing mechanism** (retain incentives to shift from block funding where appropriate)
 - **Fair and equitable share of growth funding** (minimise the risk and / or unintended consequence of States / Local Hospital Networks (LHNs) receiving disproportionate share of Commonwealth funding)
 - Support the Governments intent to **drive demand dampening reforms**



Public Hospital Funding Model

How does the revised funding model work?

- Retains the same key features
- Importantly, this funding model retains the NHRA calculation of public hospital funding based on efficient growth (including price and volume changes)
- A funding cap will be applied to total funding through capped indexation

	Current NHRA	Revised Funding Model
Public Health	Indexed at SPP growth rate (CPI, Population and Technology)	Same
Block Funding (including Teaching, Training and Research and Small / Rural Hospitals)	Previous years funding plus 45 per cent of efficient growth	Same
Activity Based Funding (ABF)	Previous years funding plus 50 per cent of efficient growth (price and activity)	Previous years funding plus 45 per cent of efficient growth (subject to national funding cap)



Coordinated Care

- Primary Health Care Advisory Group (PHCAG) reform
 - A key element is the **Health Care Home (HCH) Model**
 - Stage 1 – establish HCHs in up to 7x **Primary Health Networks (PHNs)**
 - A ‘home base’ that will **coordinate the comprehensive care** that patients with chronic and complex conditions need
 - Eligible patients will ‘enrol’ with a HCH, likely to be a **General Practice (GP)** or **Aboriginal Medical Service (AMS)**
 - Involves a tailored care plan **integrating primary and hospital care** as required
 - Could include **pooling of funds** with Local Hospital Networks (LHNs) and private health insurers
- Coordinated Care
 - **Similar features** to PHCAG
 - Additional funding for **supporting infrastructure** (including incentives, data sets, data collection and analysis, care coordinators, allied health elements and implementation support)
 - This can build on and **scale-up PHCAG reform**



Pricing for Safety and Quality – improving patient safety

- The List of Sentinel Events (‘never events’ list) – **No payment**
- The Hospital Acquired Complications (HAC) List – **Reduced or ‘risk adjusted’ payments**
 - The HAC list (including Complication Groups and Complication Categories) has been **developed by eminent clinicians**
 - Whilst largely preventable, even with the best risk management practices in place not all events are preventable, however there are **differences in patient safety outcomes** across jurisdictions and LHNs (e.g. surgical complications)
 - Also need to consider the potential for different payment rates for different hospitals depending on **patient complexity**
 - Development and implementation **from 1 July 2017**



Avoidable Re-admissions – improving patient safety

- There is an opportunity to expand the **reduced or 'risk adjusted' payment** approach to avoidable re-admissions
- This would apply to those re-admissions as a **result of a complication** in relation to the **original condition** (excluding mental health)
- This would require further examination of **re-admissions within 28 days** and 5 days of selected surgical procedures with a view to further scaling the payment mechanism



Broader system reforms

The Commonwealth is committed to continuing its focus on broader system reforms that are designed to improve patient outcomes, reduce hospital admissions and achieve better value for money.

- Health Care Homes
- My Health Record
- Primary Health Networks and regional commissioning
- Mental Health
- Pharmacy Reform
- MBS Reviews
- Dental
- Medicines and Medical Devices
- Private Health Insurance



Next Steps

- The Commonwealth will work with the States to finalise the addendum to the National Health Reform Agreement (NHRA) by no later than **February 2017**
- Finalisation of the funding cap arrangements by no later than **November 2016**
- The Commonwealth and States will work with key agencies, such as the Australian Commission on Safety and Quality in Health Care and the Independent Hospital Pricing Authority to develop and begin to implement key reforms **from 1 July 2017**