

# PROGRESS ON CLASSIFICATION DEVELOPMENT



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# Essential components of ABF

## Classification

- Patients are classified into groups which are clinically relevant and cost homogenous.

## Counting

- Each patient episode needs to be counted, including admissions, emergency presentations and outpatient appointments.

## Costing

- A representative of patient episodes are costed.

## Pricing

- The pricing model determines how much is paid for an average patient episode.

## IHPA's role in classification development

- National Health Reform Agreement and the National Health Reform Act both define classification development and specification as function of IHPA



# Classification principles

- When classifications are being reviewed or developed, IHPA applies a set of principles:
  - comprehensive and mutually exclusive
  - clinical meaning
  - resource use homogeneity
  - patient-based
  - simple and transparent
  - minimising undesirable and inadvertent consequences
  - capacity for improvement
  - utility beyond ABF
  - administrative and operational feasibility.



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## Admitted Patients

- Diagnosis and procedures are coded using ICD-10-AM 8<sup>th</sup> Edition
- IHPA prices using AR-DRG V7.0 from 1 July 2014
- AR-DRG V7.0 includes a number of improvements from V6.x including:
  - Bariatric Surgery
  - Paediatrics
  - Neonates



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## AR-DRG Development

- National Centre for Classification in Health (Uni of Sydney) is leading the Australian Consortium for Classification Development (ACCD), in collaboration with the University of Western Sydney and KPMG.
- Developing:
  - ICD-10-AM 9<sup>th</sup> Edition
  - AR-DRG V8.0



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## AR-DRG Development

- ACCD has divided the AR-DRG classification development & refinement project into two phases.
  - Phase 1: a major review of the existing Complication and Comorbidity system (nearing completion)
  - Phase 2: to commence post 30 June 2014 and will involve AR-DRG splitting based on the revised AR-DRG severity process and revised underpinning AR-DRG structure principles.



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## AR-DRG Development

- CC's determine the allocation of patients between adjacent DRGs.
- Initial analysis of recent years' patient and cost data indicated that there is scope for improvement to current CCs.
- Not surprising given the time elapsed since the development of the CC list and levels, and the limited data available at the time (AR-DRG V4.0).
- ACCD has developed an alternative approach, assisted by a series of discussions with the DRG Technical Group and the Classification Clinical Advisory Group.



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## ICD-10-AM

- Update work is progressing well including:
  - Review of a number of Coding Standards
  - Number of updates toACHI
- Release expected to commence following IHPA approval in late 2014
- Online education ready from April 2015



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## Subacute and Non-acute

- IHPA currently prices subacute patients in two ways:
  - At the care-type level (i.e. rehabilitation, palliative care, GEM, psychogeriatric or maintenance) using a per diem rate for each type.
  - Using AN-SNAP V3.0 – where required measurements are collected
- IHPA has signaled intention to cease pricing at the care type from 2015-16



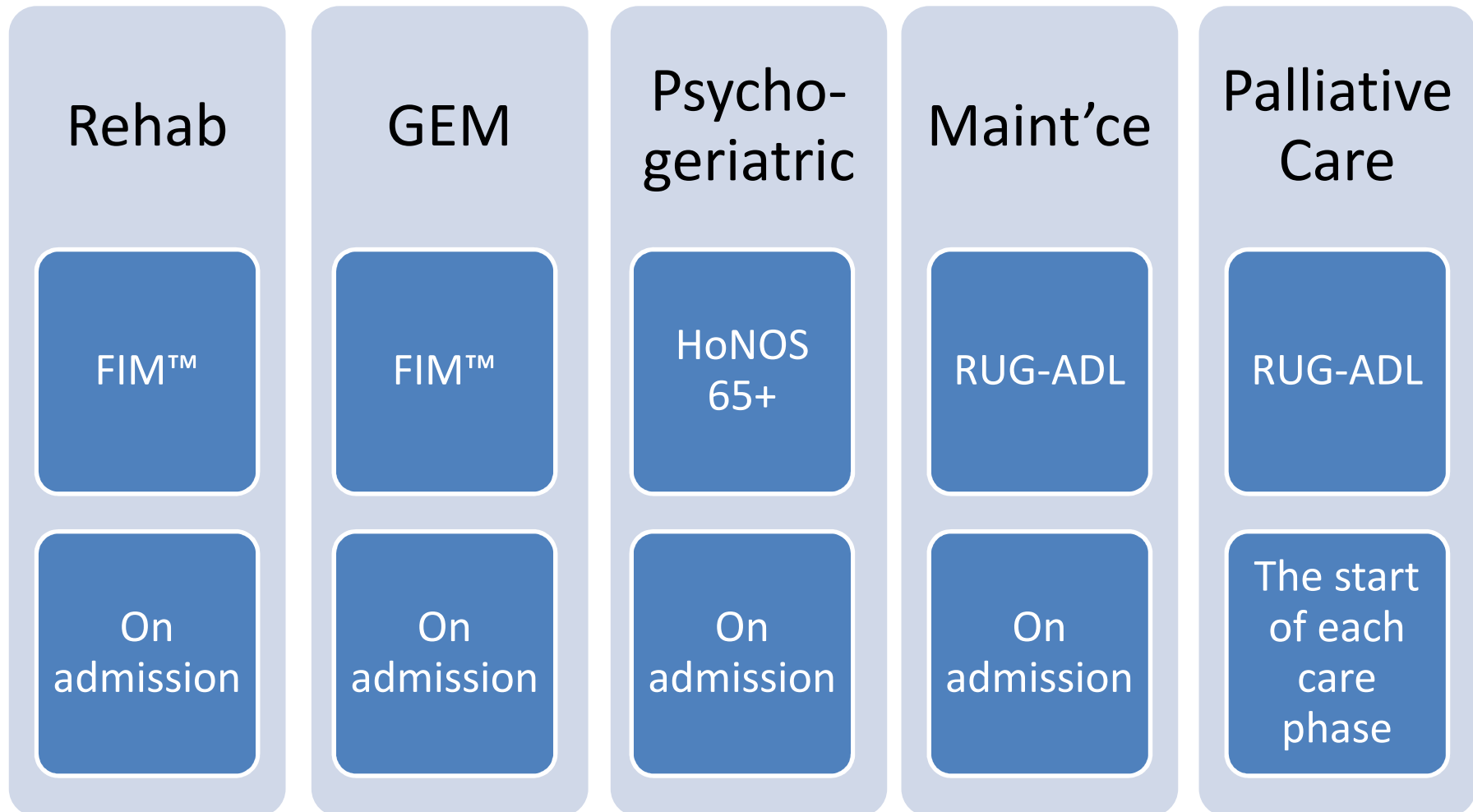
## AN-SNAP clinical tools

- Different clinical assessment tools are used in each of the care types:
  - Functional Independence Measure™.
  - Health of the Nation Outcome Scale (HoNOS) 65+.
  - Resource Utilisation Groups – Activities of Daily Living (RUG-ADL).



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## Subacute and non-acute tools



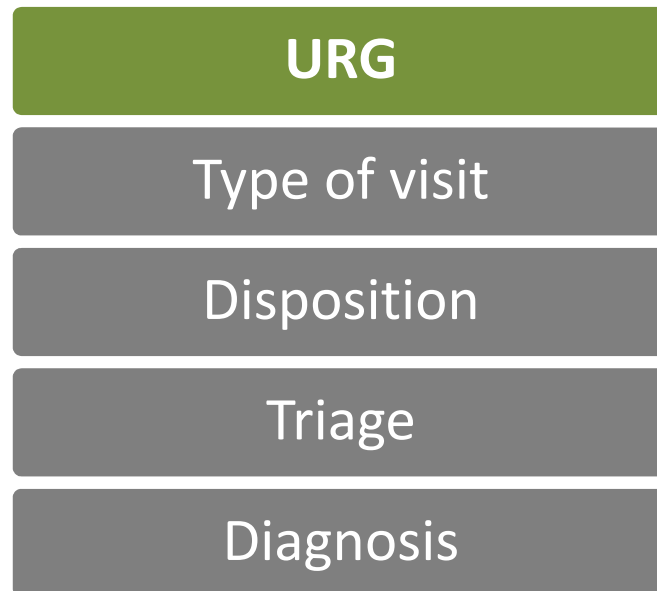
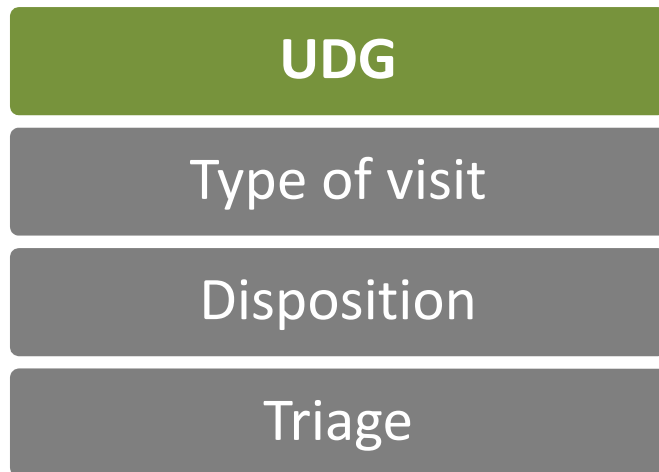
## AN-SNAP V4.0

- IHPA has engaged University of Wollongong to develop AN-SNAP V4.
- Priority areas for development include:
  - Paediatrics – rehabilitation and palliative care
  - GEM – how to better reflect cognitive impairment
- Work supported by 5 clinical sub-committees.
- Data sourced from:
  - IHPA Activity Data Sets
  - NHCDC
  - 2013 Non-admitted Costing Study
- Additional data gathering required for GEM patients
- Planning to use for NEP15



# Emergency Care

- Urgency Disposition Groups (UDGs)
  - Apply in smaller emergency services
  - Diagnosis not collected
  - Version 1.3 for NEP14
- Urgency Related Groups (URGs)
  - Applied in vast majority of emergency departments
  - Includes diagnosis as major variable
  - Version 1.4 for NEP14



## Emergency Care - Development

- IHPA undertook a detailed review of emergency classifications in 2013



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**Independent Hospital Pricing Authority**  
*Investigative review of classification  
systems for emergency care*  
**Final report**

Full report on IHPA website: [www.ihipa.gov.au](http://www.ihipa.gov.au)



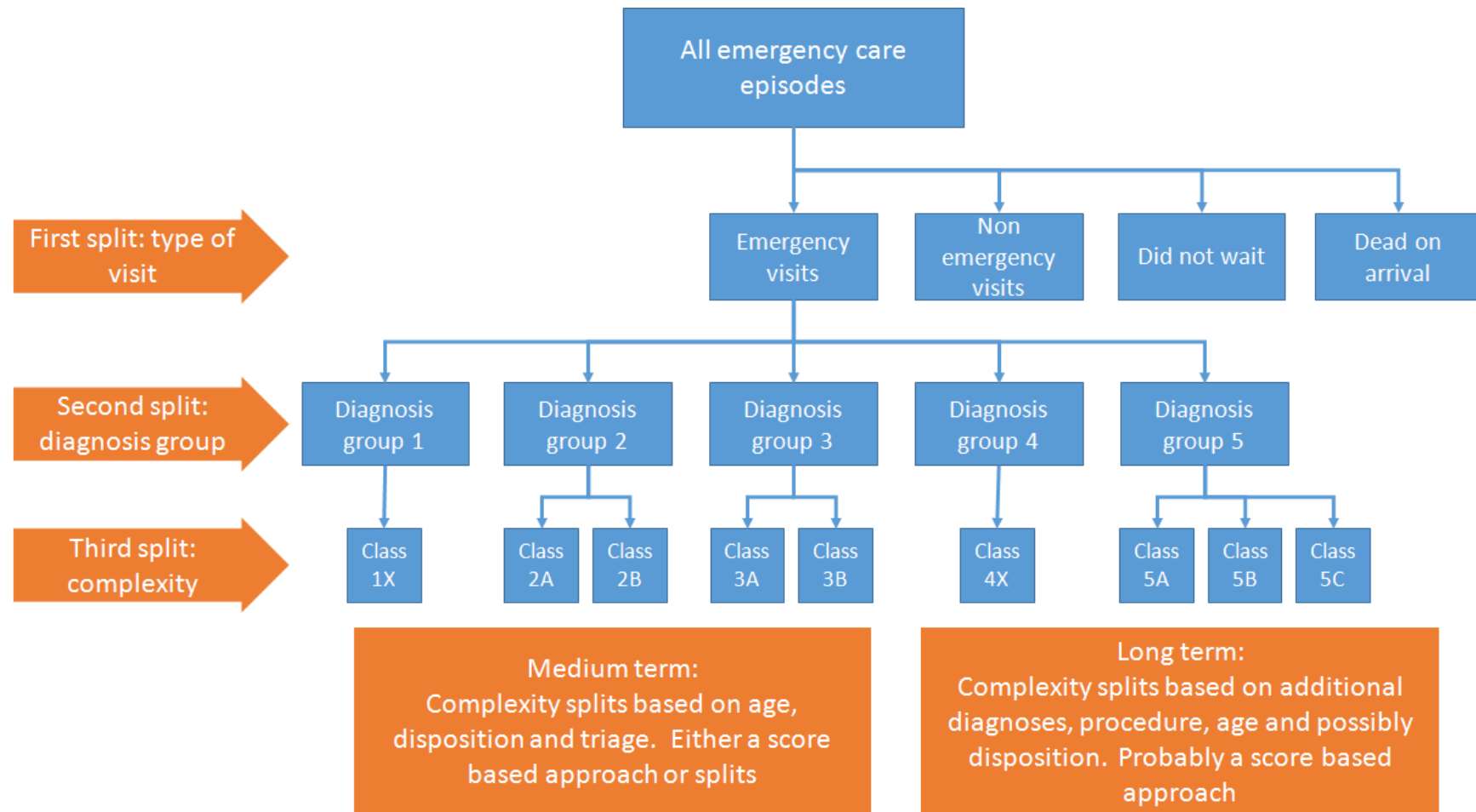
## Emergency Care - Development

- IHPA undertook a detailed review of emergency classifications in 2013:
  - No suitable international alternatives identified
  - Identified opportunities for significant improvement to URG and UDG system
  - Use of some variables such as triage not widely supported
  - Recommends restructuring the classification scheme



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# Proposed classification structure



## Non-admitted Services

- Using Tier 2 non-admitted services classification V3.0 for 2014-15
- Is a clinic based classification – not patient centric
- Suitable for use patient level and aggregate data
- Trades off administrative ease and data burden with explanatory power
- Continuing to develop and enhance – clearer definitions, supporting documentation, additional clinics where appropriate
- Extensive review undertaken in 2013



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# *Review of non-admitted classifications* Final Report

Independent Hospital  
Pricing Authority  
Final  
11 December 2013



**pwc**



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## Non-admitted classification review

- Tier 2 not suitable in the long term for ABF purposes
- No suitable international classification that could be adapted for Australian use
- Need to develop a new classification system:
  - Needs to patient centric
  - Likely to require diagnosis and possibly procedure data over time
  - Will require investment in patient level data systems by jurisdictions



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## Teaching Training and Research

- Currently there is no classification system for teaching training and research activities in public hospitals.
- These services are currently block funded
- IHPA is required to provide advice to the COAG Health Council on the feasibility of moving to ABF by 2018.
- Significant work is underway...

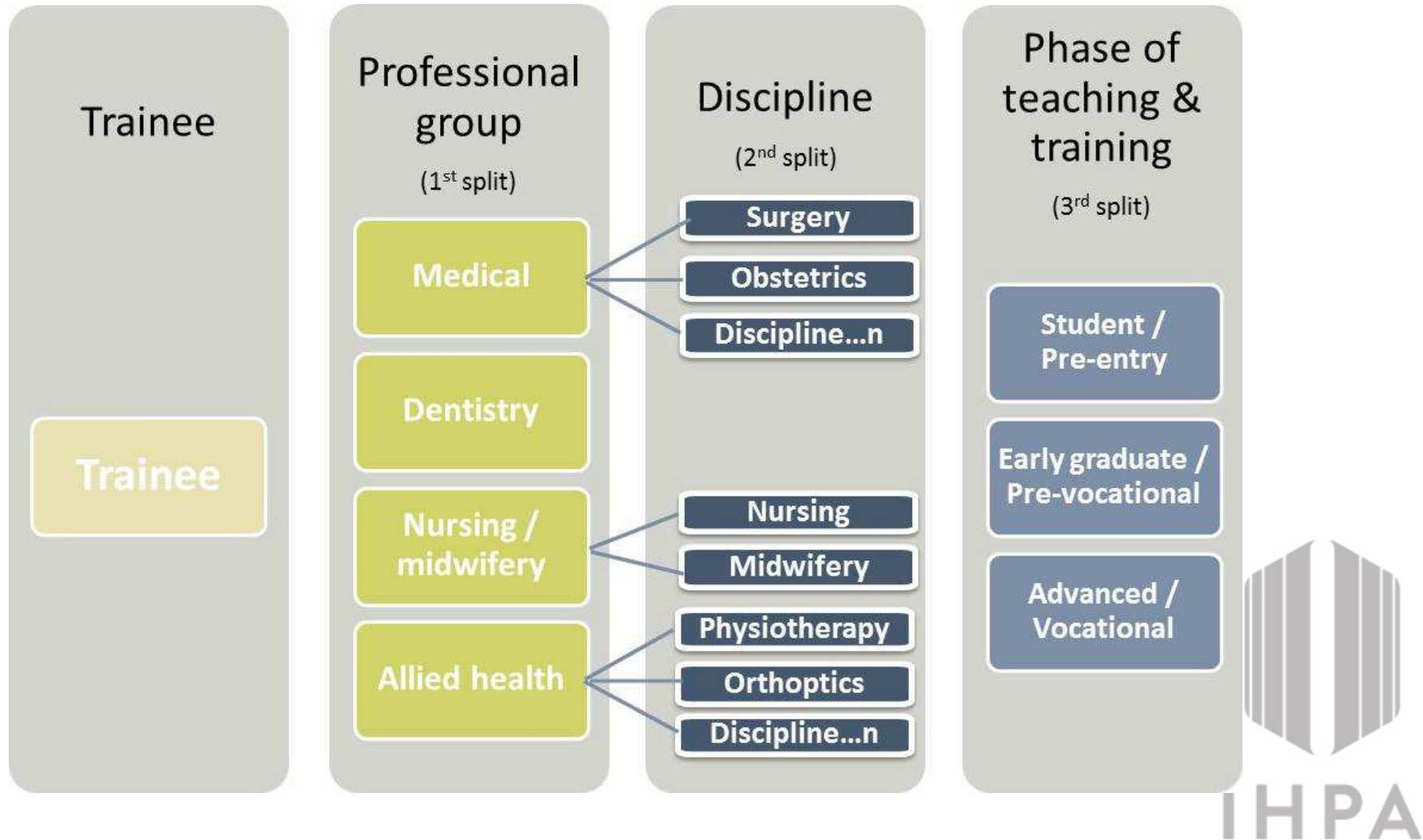


## Teaching Training and Research

- IHPA has determined definitions for Teaching and Training and for research for ABF purposes (on IHPA website).
- Extensive cost driver analysis using existing data sources.
- Cost drivers for teaching and training well substantiated:
  - Volume and mix of students/trainees is primary driver
- Cost drivers for researchers more difficult:
  - No clear driver
  - Hampered by data quality
  - IHPA undertaking more work with small group



# Teaching and Training





## Teaching and Training

- Next steps
  - Detailed review of feasibility of funding research using ABF
  - Costing study scheduled for 2015
  - Classification development to commence in second half of 2015
  - Advice to COAG Health Council on feasibility



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## Mental Health

- Currently IHPA uses DRGs to price admitted mental health.
  - A modified approach to setting the inlier boundaries is adopted, which results in acceptable performance
- Non-admitted mental health services are block funded.
- IHPA has determined that a new classification is required for mental health:
  - Diagnosis is not as good a predictor of cost
  - Needs to support model of care – integration across settings



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# How do you develop a new classification?

- The key steps to developing a new classification are:
  - define the services to be included
  - identify the cost drivers
  - undertake a costing study
  - develop the classification
  - test the classification
  - collect data and price services.



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# Step 1: define the services

- In 2012, IHPA commissioned UQ to lead a project to:
  - develop a definition of mental health care that could be consistently applied for ABF purposes
  - determine cost drivers for mental health services.



# Step 1: define the services

- Approved definition:  
Mental health care is care in which the primary clinical purpose or treatment goal is improvement in the symptoms and/or psychosocial, environmental and physical functioning related to a patient's mental disorder.
- Mental health care:
  - is delivered under the management of, or regularly informed by, a clinician with specialised expertise in mental health;
  - is evidenced by an individualised formal mental health assessment and the implementation of a documented mental health plan; and
  - may include significant psychosocial components including family and carer support.



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## Step 2: identify the cost drivers

- The UQ project found suggested several potential cost drivers for mental health services that should be explored further. These included:
  - the phase of care (the prospective goal of care)
  - experiencing a first episode of psychosis
  - mental health intervention classification.
- The full report is available on the IHPA website:  
[www.ihipa.gov.au/internet/ihipa/publishing.nsf/content/mental-health](http://www.ihipa.gov.au/internet/ihipa/publishing.nsf/content/mental-health)



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## Step 3: undertake a costing study

- The UQ report also found that:
  - much of existing mental health data was of poor quality, and variables identified as important cost drivers (e.g. patient clinical ratings) were either incomplete or not collected at critical points
  - a costing study is required to progress ABF in the mental health sector.



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## Costing Study

- IHPA has commissioned a consortium led by HealthConsult to undertake a six-month prospective costing study.
- The study commences on 1 July 2014.
- Around 25 sites will participate, with a sample of public hospitals, community mental health services and private hospitals.



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## Classification Development

- Will commence later this year.
- Work will be undertaken by IHPA, with advice from:
  - IHPA's Mental Health Working Group
  - Other classification experts
- Complete in first half 2015
- Trials in second half 2015
- Used for pricing from 1 July 2016





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