

What does IHPA do and how do we do it?



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IHPA's role

- Independently set the National Efficient Price for activity based funded public hospital services.
- Determine loadings for unavoidable costs.
- Determine what is a “hospital service” and so eligible for Commonwealth funding.
- Specify all of the classification, costing, data and modelling standards that are required to develop the national efficient price.
- Determine the criteria for defining block funded services and their national efficient cost.



The Pricing Framework for Australian public hospital services

- IHPA's key role to determine the National Efficient Price (NEP) and the National Efficient Cost (NEC)
- The Pricing Framework outlines the principles, scope and methodology to enable the determination of the NEP and NEC
- The Pricing Framework determines which hospital services are deemed 'in-scope' for the purpose of ABF
- Updated annually through public consultation
- Public consultation opened today for the Pricing Framework 2015-16



What makes a good submission?

- Relevancy to the scope of IHPA's role under the National Health Reform Agreement
- Consistency with the IHPA Pricing Guidelines (located in the consultation paper)
- Well reasoned and evidence based arguments
- Succinct.



Influential submissions - ICU adjustment for 2014-15

- Strong advice from stakeholders that did not support IHPA's proposal to use hours of mechanical ventilation as marker of patient complexity
- Submissions clearly stated using mechanical ventilation as a marker of complexity was not consistent with modern clinical practice in ICUs
- If IHPA had used mechanical ventilation as a marker of clinical complexity in its pricing decision for NEP14 - would have been incongruent with clinical practice and thus not consistent with IHPA's Price Guidelines
- This argument was more persuasive for the Pricing Authority
- Key submissions from: Australia and New Zealand Intensive Care Society, College of Intensive Care Medicine, Royal Australasian College of Physicians, Thoracic Society of Australian and New Zealand – all on the IHPA website.



The importance of the data - NHCDC

- The National Hospital Cost Data Collection (NHCDC) was established in the early 90's, run by Department of Health
- Previously a voluntary collection primarily for the purpose of classification development (DRGs)
- 2008 NPA recognised NHCDC as key piece of infrastructure
- NHCDC moved to IHPA on creation in December 2011
- Significant progress from voluntary data collection to primary data collection supporting the NEP - for Round 16 there were 429 participating hospitals across all states and territories, a 29.9% increase from Round 15
- Consistency and comparability increased significantly in Round 15 and Round 16



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NHCDC and the National Efficient Price

- NHCDC is the primary data collection used to develop the National Efficient Price (NEP)
- IHPA works with states, territories, public hospitals and private hospitals to coordinate the collection, validation, analysis and reporting of the NHCDC
- IHPA uses the NHCDC and activity data provided by the jurisdictions to analyse the expenditure of Local Hospital Networks at a patient level
- This data is used to develop cost and pricing models to determine how much is paid for an average patient in an ABF hospital



Determining the National Efficient Price

- To determine the NEP for the next financial year IHPA develops a cost model based on cost and activity data from the most recent data available
- The cost model is converted into a pricing model by removing out-of-scope costs and indexing costs to best reflect the costs in the year of the NEP
- The price model defines the NEP, price weights and adjustments
- Price weights and adjustments are combined to create the National Weighted Activity Unit (NWAU).
- The 'average' hospital service is worth one NWAU, more expensive activities are worth multiple NWAU and simpler, less expensive activities are worth fractions of an NWAU
- The price of a hospital service can be calculated by multiplying the NEP by number of NWAU



For example in NEP 2014-15

- An uncomplicated tonsillectomy has a weight of 0.7058 NWAU which equates to \$3,534 per admission
- An uncomplicated hip replacement has a weight of 4.1855 NWAU which equates to \$20,957 per admission.



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Data improvement - NHCDC strategic review

- IHPA is focused on improving data to ensure the NEP and NEC are robust, transparent and as accurate as possible.
- NHCDC strategic review provided 20 recommendations around governance, communication, transparency, standards and compliancy
- Full report on IHPA website
- Work underway to deliver recommendations
 - creation of NHCDC advisory committee (four meetings to date)
 - defined strategic purpose and role of the NHCDC
 - review of version 3 of the Australian Hospital Costing Standards (these drive the NHCDC data requirements)
 - developed communication plan and communication tools



Impending improvements to the national ABF system

- Implementation of AR-DRGs V7 and commencement of development of ARDRGs V8
- Design of the Australian Mental Health Care Classification
- Further development of AN-SNAP
- Review of Emergency Care and Tier 2 Outpatient classifications
- Assessment of the feasibility of a classification system for teaching, training and research
- Independent evaluation of national ABF due to begin in 2014.



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What does the future hold for IHPA?

- At this stage IHPA will continue with its Work Program for 2014-15
- Work towards the proposed Health Productivity and Performance Commission comprising six agencies:
 - Independent Hospital Pricing Authority (IHPA)
 - National Health Performance Authority (NHPA)
 - Australian Commission for Safety and Quality in Healthcare (ACSQHC)
 - Australian Institute of Health and Welfare (AIHW)
 - National Health Funding Pool
 - Administrator of the National Health Funding Pool
- New commission will provide a good opportunity to build on work already completed.



Questions?





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