Implementing ABF for Subacute Care in the Private Sector

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Public hospital funding models are virtually dictated

but….

Private hospital funding models are a commercial arrangement

Who is AHSA?

Service company representing more than 20 health insurers

Formed in 1994 to provide services to member funds

- Hospital Contract Negotiations
- Medical Agreements & Gap Cover
- Integrated Health Management
- Data Management
- Industry analysis & representation
- Clinical & Casemix Payment Model Development

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AHSA implemented the first Casemix payment model for subacute care in the private sector in 2012

RAM – Rehabilitation AN-SNAP Model

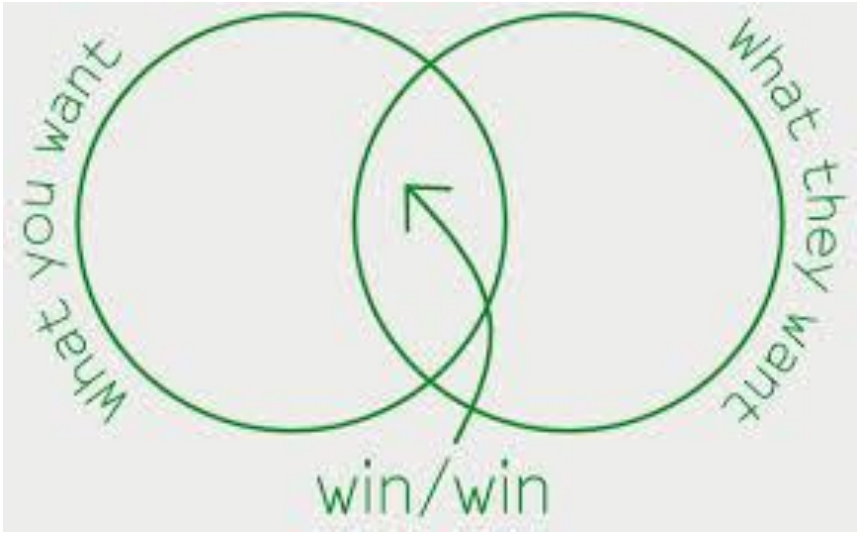
Overnight rehab only

Generic Payment Model Features	RAM
Clinically Appropriate	• Relative complexity **between** broad classes • Relative complexity **within** broad classes
Robust classification	• AN-SNAP: national classification • Basis of public sector funding • Already collected by hospitals
Payment related to relative cost	• No case intrinsically more or less profitable • Minimise need to cross-subsidise
Step downs based on national norms	• Step downs occur sooner for less complex cases than more complex cases
Standardises contracts	• All RAM contracts are underpinned by the same cost weights and step downs • Payment rates vary

Why implement RAM?

FUNDS

- ✓ Member access to private hospitals
- ✓ Fair payment for services rendered
- ✓ Sustainability
- ✓ Protection of value of PHI



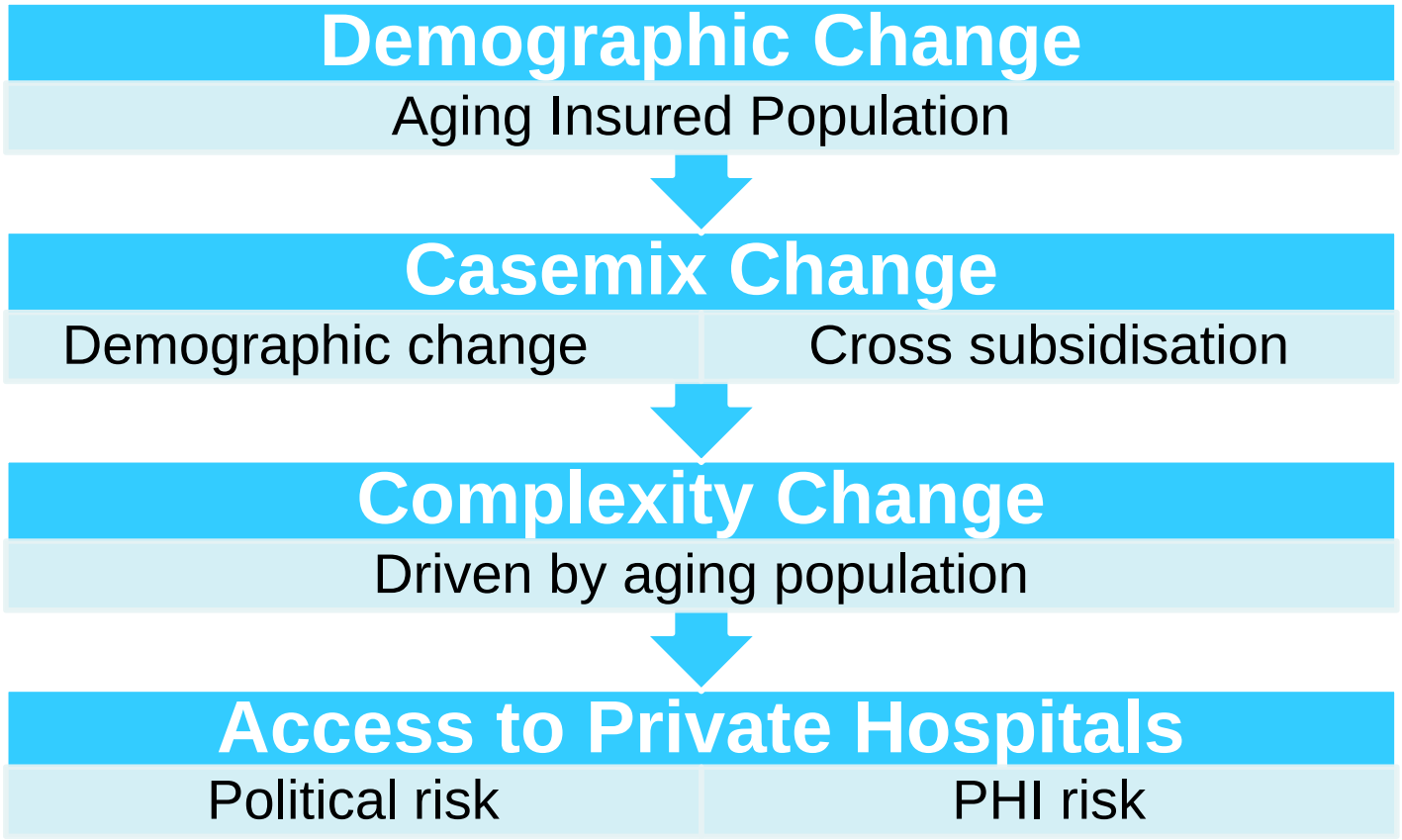
HOSPITALS

- ✓ Higher payment for complex cases
- ✓ Less cross subsidisation
- ✓ Profitability
- ✓ Address demographic change in the insured population

Issue for Private Hospitals & Insurers

Over the last 5 years, the growth in people covered

< 65 was 11.3% **> 65 was 31.7%**



Aging & Complexity

- Admission complexity by age for the three most common classes

Age Cohort	High FIM (Least Complex)	Moderately Complex	Low FIM (Most Complex)
40 - 44	67.2%	28.4%	4.5%
45 - 49	54.3%	39.3%	6.4%
50 - 54	55.8%	40.4%	3.9%
55 - 59	52.7%	43.6%	3.7%
60 - 64	50.3%	46.3%	3.4%
65 - 69	45.1%	50.6%	4.3%
70 - 74	42.4%	51.6%	6.0%
75 - 79	36.7%	54.2%	9.1%
80 - 84	32.0%	55.4%	12.6%
85 +	24.5%	53.9%	21.6%

The trend to increasingly lower admission FIM with increasing age is obvious

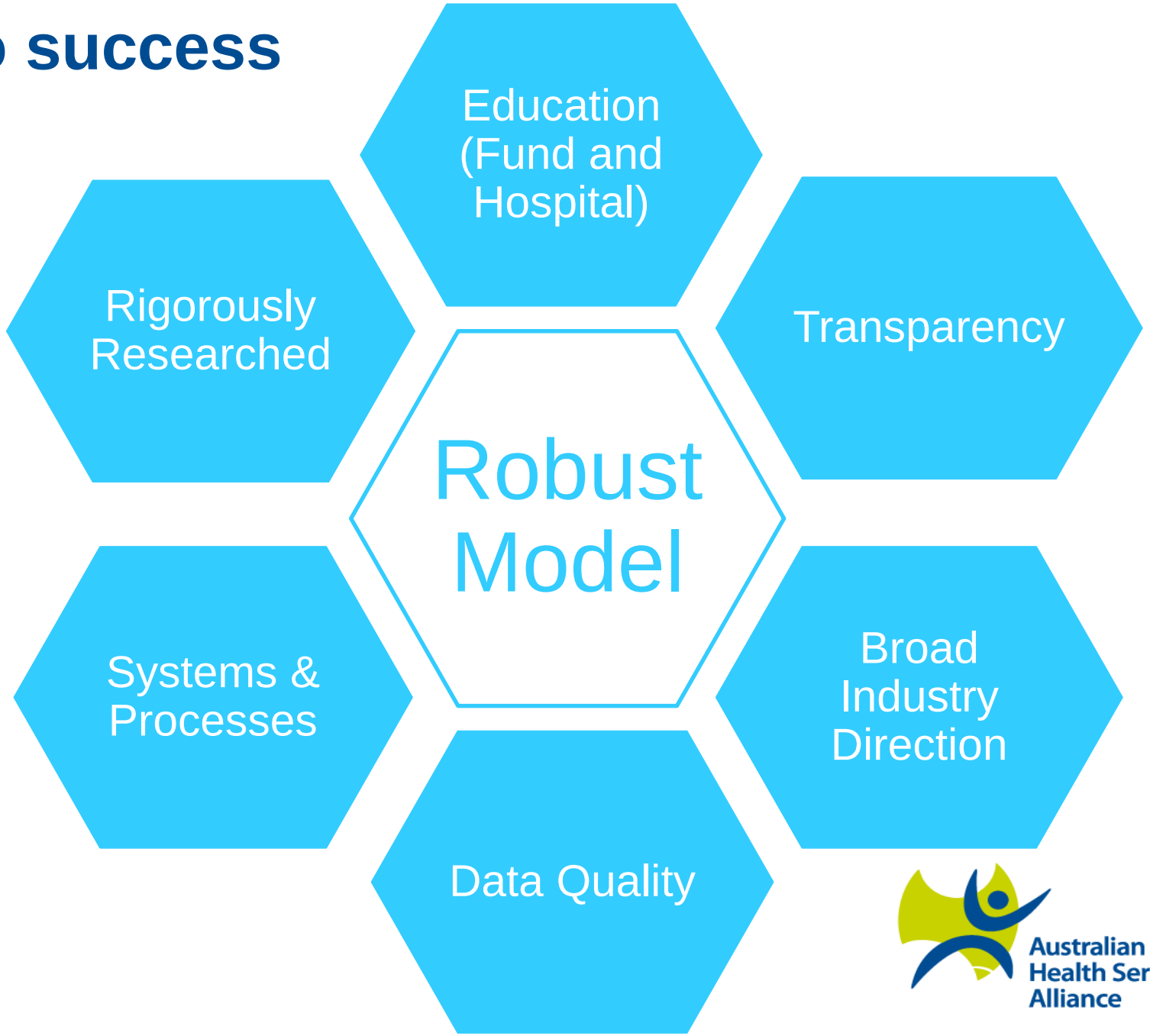
- The implications for rehabilitation payment models are significant
- RAM pays in relation to cost and hospitals are not financially disadvantaged by treating complex and often elderly patients.
- This enhances access for such patients **(a win for funds)** and removes financial penalties for treating them **(a win for hospitals)**

Source: AHSA Data previous 3 years

What do these four patients have in common?

In private, they are generally paid the same

Key to success



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Transparency & Education

- AHSA encourages hospitals to understand RAM in depth and shares:
  - Why AN-SNAP is the classification system chosen
  - How the relative cost weights were derived and their source data
  - How the Step Down points were set and their source data

- Revenue conversion at introduction
  - Modelled revenue = actual revenue over modelling period

- Ongoing variation in hospital revenue occurs when:
  - Negotiated increases applied
  - Volume changes
  - Casemix changes

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Data Quality

Key goal

Accurate RAM Unit Rate to enable payment model conversion

What's required

Accurate charge, LOS and AN-SNAP information for all overnight rehab cases

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Data Exchange Process with Hospitals

Dataset

- Based on hospital HCP data
- Agree time period (usually most current 2 years)

Data Quality Checks

- Verification of hospital charges
  - link hospital charges from HCP and fund assessed claim charges
  - Identify charge mismatches for follow up

AN-SNAP to Episode Linkage

  - Complex algorithms to achieve this
  - Enables charge by AN-SNAP class to be determined

Data Completeness

- Identify all overnight rehab episodes with missing AN-SNAP
- Hospital to identify any missing cases

Data Modelling

Hospitals must signoff that they agree to the dataset prior to modelling

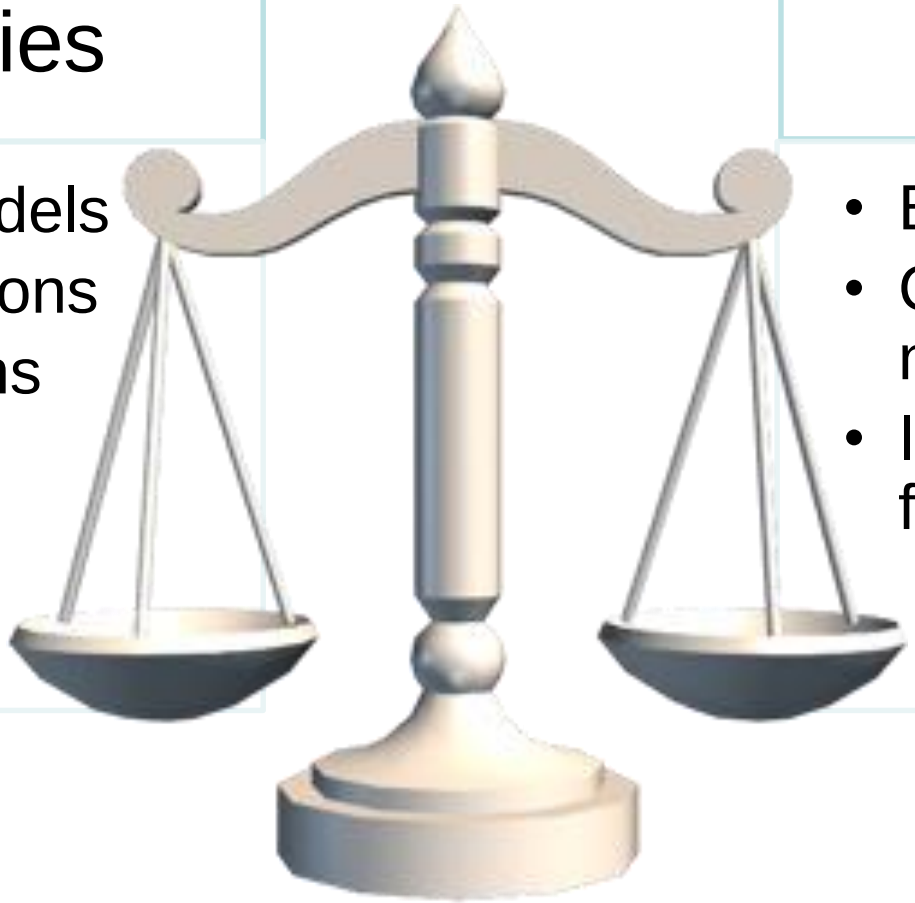
Data Normalisation	• Conversion to current contract rates • Ensure fairness when using older data
Private Room Revenue	• Must be removed before modelling • Otherwise bundling will occur
Convert Episodes to RAM Units of work	• Using episode level LOS, AN-SNAP class • Apply underlying cost weights/step downs
Determine Total Units of Work	• Rollup to total cases and total RAM units
Calculate RAM Unit Rate	• Total Dollars / Total RAM Units

In Summary

There are both similarities and differences between the public and private sector

Similarities

- Payment Models
- Data Collections
- Classifications



Differences

- Balance of Power
- Change is negotiated
- Indirectly - uncapped funding