

**Senate Community Affairs Committee**

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2012-2013, 30 & 31 May and 1 June 2012

**Question:** E12-271

**OUTCOME 13:** Acute Care

**Topic:** Multi-Purpose Services

**Type of Question:** Written Question on Notice

**Number of pages:** 2

**Senator:** Senator Di Natale

**Question:**

- a) What is the status of Multi-Purpose Service (MPS) funding in the context of the new funding formula being developed for public hospitals? How is the Independent Hospital Pricing Authority (IHPA) dealing with the MPS situation in which the acute care and aged care dollars are in effect pooled?
- b) Are there any guarantees about the future funding for existing MPSs?
- c) In the context of IHPA's work, how many hospitals are being block funded?
- d) What determines whether a small to middle sized hospital is to receive activity based funding (ABF) or block funding?
- e) How is the block funding formula being developed? How is IHPA being advised on block funding and rural hospitals?

**Answer:**

- a) The residential aged care component of Multi-Purpose Services funding is out of scope for the purpose of Commonwealth funding under the arrangements established under the National Health Reform Agreement. Funding for Multi-Purpose Services is provided as a flexible care subsidy under the *Aged Care Act 1997*, depending on the number of flexible care places approved for each Multi-Purpose Service. Australian Government funding is combined with state and territory government health services funding to provide the range of integrated health and aged care services that meet the needs of the community. The Independent Hospital Pricing Authority (IHPA) will work to identify the components of funding that are eligible for Commonwealth funding under the NHRA from 2013-14.
- b) The Multi-Purpose Service (MPS) program is a joint initiative of the Australian and state/territory governments. Under the MPS program, the Australian Government provides recurrent funding for aged care places delivered at an MPS, while state/territory

governments provide recurrent funding for health services.

There are no plans to discontinue this arrangement.

- c) In 2012-13 the proportion of Commonwealth funding dedicated to block funding is determined by bilateral agreement between the relevant State and the Commonwealth government. From 2013-14, IHPA estimates that 582 of hospitals will be block funded, rather than activity based funded. This represents 75 per cent of hospitals nationally, but over 90 per cent of acute separations will be funded on an activity basis.
- d) Whether a small or medium hospital will be subject to ABF will depend on:
- whether the technical requirements for ABF are able to be satisfied in the case of that hospital; and
  - whether such a hospital provides sufficient volume of services such that provision of these services would remain financially viable under ABF.

If these criteria cannot be met in the case of particular hospital, then that hospital will be eligible for block funding under Block Funding Criteria proposed by IHPA for endorsement by COAG later this year.

In terms of what will constitute a “sufficient” volume of services for application of ABF, IHPA has developed some eligibility thresholds for block funding which may form part of the proposed Block Funding Criteria for use from 2013-2014. These are where hospitals:

- are located in a metropolitan area (defined as ‘major city’ in the Australian Standard Geographical Classification) and they provide  $\leq 1,800$  inpatient National Weighted Activity Units (NWAU) per annum; or
  - are located in a rural area (defined as all remaining areas, including ‘inner regional’, ‘outer regional’, ‘remote’ and ‘very remote’ in the Australian Standard Geographical Classification) and they provide  $\leq 3,500$  inpatient NWAU per annum.
- e) As noted above, Block Funding Criteria has been developed by IHPA for endorsement by COAG later in 2012, for application in 2013-2014. IHPA was assisted in its development of the Block Funding Criteria and its application to rural hospitals by a range of advisory committees, including IHPA’s Clinical Advisory Committee, Stakeholder Advisory Committee and Jurisdictional Advisory Committee.