



## Policy costing

Blitz elective surgery waiting lists	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would provide one-off payments to the states and territories (the states) to help eliminate public hospital surgery waiting lists for particular categories of clinical urgency. These payments would be spread over two years from 1 July 2019, with 80 per cent paid in the first year.</p> <p>The payment would be based on the number of patients on elective surgery waiting lists who have been waiting longer than clinically indicated for their category as at 30 June 2019. All patients in clinical urgency categories 1, 2 and 3 would be eligible.</p> <p>The payment rate per patient would be based on the national efficient price for each category of surgery as per the Independent Hospital Pricing Authority's cost determinations.</p> <p>The proposal would commence on 1 July 2019.</p>	

## Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$592 million over the 2019-20 Budget forward estimates period. This impact is entirely due to an increase in administered expenses. Departmental expenses are not expected to be significant and have not been included in the analysis.

The proposal would not be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications of this proposal are highly sensitive to the estimated cost per surgery and the number of patients classified as waiting longer than clinically indicated on 30 June 2019. It is not clear whether this classification is applied consistently across states. It is uncertain whether the proposal would be effective in increasing the supply of surgical services and, in this regard, the Parliamentary Budget Office (PBO) has not undertaken any analysis as to whether the proposal would be effective in reducing the number of patients on waiting lists.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-472	-120	-	-	-592
Underlying cash balance	-472	-120	-	-	-592

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

## Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Growth in the number of patients waiting longer than clinically indicated in 2018-19 would be equal to average growth over 2016-17 and 2017-18.
- The national efficient price for 2020-21 would be based on the average cost of public hospital activity in the 2016-17 financial year. The average cost was \$4,866 per national weighted activity unit and has been indexed at a rate of 1.8 per cent per year.
- The average cost per surgery for those on the waiting list would be equal to a weighted average cost over all surgical procedures, except transplants and neonatal surgeries.
  - This weighted average is the product of the national efficient price in that year and the price weights by surgery type, which is then weighted by the composition of surgeries performed in 2016-17.
  - All transplants and neonatal surgeries would be performed within the clinically indicated time.
- The mix of surgery types for those eligible under the proposal would be the same as the composition of surgeries performed in 2016-17.
- Hospitals and physicians would not change their approach when classifying patients into categories 1 to 3, leading to the proposal having no impact on the number of patients awaiting elective surgery on 1 July 2019 nor on those classified as waiting longer than clinically indicated at that date.

## Methodology

Administered expenses were calculated by multiplying the projected number of eligible patients by the average cost per surgery, based on the national efficient price.

### Eligible patients

The number of eligible patients, as at 30 June 2019, would be the number of eligible patients in clinical urgency categories 1 to 3 in 2017-18, grown by average historical growth.

- The number of clinical urgency category 1 to 3 patients in each state who have been waiting for longer than clinically indicated was extracted for 2016-17 and 2017-18 from the Australian Institute of Health and Welfare (the Institute) report *Elective surgery waiting times*.

## Cost per surgery

The average cost per surgery in each year was estimated as the product of the national efficient price and the price weight by surgery type, which is then weighted by the composition of surgeries.

- The average cost per surgery was estimated to be \$8,350 for 2019-20 and \$8,500 for 2020-21.
  - This is based on the national efficient price of \$5,134 for 2019-20, \$5,226 for 2020-21, and price weights for individual surgical procedures for 2019-20 published by the Independent Hospital Pricing Authority. These are then weighted by the Institute's data on the surgical mix in 2016-17 (the last year that data on surgical partitions are available).
  - Transplants and neonatal surgeries were excluded from the final weighted average calculation as outlined above.

All estimates have been rounded to the nearest \$1 million.

## Data sources

Australian Institute of Health and Welfare, 2018. *Elective surgery waiting times 2017-18: Australian hospital statistics*.

Australian Institute of Health and Welfare, 2017. *Elective surgery waiting times 2016-17: Australian hospital statistics*.

Australian Institute of Health and Welfare, 2018. *Separation statistics by AR-DRG (version 8.0): Australian 2016-17*. [Online] Available at: <https://www.aihw.gov.au/reports/hospitals/ar-drg-data-cubes/contents/data-cubes> [Accessed 08.03.2019].

Australian Institute of Health and Welfare, 2018. *Waiting times for elective surgery: by speciality of surgeon*. [Online] Available at: <https://www.aihw.gov.au/reports/hospitals/myhospitals-waiting-times-elective-surgery-2017-18/contents/summary> [Accessed 04.03.2019].

Independent Hospital Pricing Authority. *National Efficient Price Determination 2019-20*. [Online] Available at: <https://www.ihpa.gov.au/publications/national-efficient-price-determination-2019-20> [Accessed 08.03.2019].