

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2011-2012, 15 February 2012

Question: E12-265

OUTCOME 0: Whole of Portfolio

Topic: ACTIVITY BASED FUNDING AND HOSPITAL PRICING

Written Question on Notice

Senator Fierravanti-Wells asked:

- a) In the absence of national standardised data, what formula will be used by the Independent Hospital Pricing Authority (IHPA) to calculate the national efficient price for hospital services in 2012/13?
- b) What steps are being taken to collect national standardised data to inform the work of IHPA into the long-term?

Answer:

- a) The pricing model to be used by Independent Hospital Pricing Authority (IHPA) in calculating the National Efficient Price (NEP) is articulated in IHPA's Draft Pricing Framework, which was released publicly on 16 January 2012.

In order to establish an Activity Based Funding (ABF) system, it is necessary to classify, count and cost the patients (or patient groups) that are to be funded. Wherever possible, IHPA has adopted well established classification systems (i.e. Australian Refined Diagnostic Related Groups). Costing information has been collected through the National Hospital Cost Data Collection for 15 years, and will also form the basis for the calculation of the NEP.

A complex costing and pricing model has been constructed by IHPA, in close consultation with all jurisdictions. This model uses well accepted ABF principles, generally already in use in states and territories that already have established ABF systems.

- b) To ensure that the NEP accurately reflects the reality faced by public hospitals, IHPA is committed to obtaining timely and accurate activity, cost and expenditure data from jurisdictions.

Consistent with this commitment, and its obligations under the National Health Reform Agreement, IHPA has developed its inaugural rolling three-year data plan covering the period 2013-2014 to 2015-2016 (Data Plan) for the consideration of health ministers in April 2012. The Data Plan provides jurisdictions with advance notice of IHPA's proposed data collection activities. As required under the National Health Reform Agreement, in collecting data, IHPA seeks to rely on existing data collections as much as possible, and to ensure that the principle of "single provision/multiple use" of data is respected.