

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 13 & 15 February 2013

Question: E13-186

OUTCOME 1: Population Health

Topic: Independent Hospital Pricing Authority – Cost Data

Type of Question: Written Question on Notice

Senator: Senator Fierravanti-Wells

Question:

- a) Has cost data from all jurisdictions been received for 2011-12 and what is the timeline for processing this data, presumably for the 2014-15 pricing framework?
- b) Is the indexation formula used for the hospital costing data the same as that used for the National Healthcare SPP for the purposes of National Health Reform funding? If not, why does it differ and how is it different?

Answer:

- a) Cost data from 2011-12 has not yet been received from all jurisdictions. The Independent Hospital Pricing Authority (IHPA) anticipates that the data will be processed by May 2013, and will be used in the determination of the 2014-15 National Efficient Price Determination.
- b) The indexation formula for the hospital costing data that IHPA applies is different to that used for the National Healthcare Specific Purpose Payments (SPP).

The IHPA indexation rate is based on actual recorded growth in the National Hospital Cost Data Collection over the previous five years. It is used to index historic cost data to determine the National Efficient Price (NEP). For example, the 2012-13 NEP was determined using the most recently available cost data, from 2009-10, and was indexed at 5.1 per cent per annum to formulate the 2012-13 NEP. As the NEP is a unit price, the indexation rate does not need to incorporate volume changes or changes in patient complexity from year to year.

The National Healthcare SPP growth factor is outlined in the Intergovernmental Agreement on Federal Financial Relations 2011, Schedule D, clause D24. The growth factor is a product of:

- a health specific cost index (a five year average of the Australian Institute of Health and Welfare (AIHW) health price index);
- the growth in population estimates weighted for hospital utilisation; and
- a technology factor (the Productivity Commission derived index for technology growth).

In other words it includes unit price growth and casemix changes and volume growth and technology changes.