

**Senate Community Affairs Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE**

**HEALTH PORTFOLIO**

**Additional Estimates 2015 - 2016, 3 March 2016**

**Ref No:** SQ16-000251

**OUTCOME:** 4 - Acute Care

**Topic:** Independent Hospital Pricing Authority

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

**Senator:** Gallagher, Katy

**Question:**

Why has IHPA been retained in any form, given the Commonwealth has abandoned the National Health Reform Agreement and services will no longer be funded on an activity basis at the National Efficient Price?

**Answer:**

Establishing the Independent Hospital Pricing Authority (IHPA) was an important initiative in the development and use of the National Efficient Price (NEP) and National Efficient Cost (NEC) to support Activity Based Funding (ABF) for public hospital services.

As part of the Council of Australian Governments (COAG) *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding*, signed 1 April 2016, a decision was made to retain ABF arrangements over the period 1 July 2017 to 30 June 2020, ahead of consideration of longer-term arrangements. The COAG Heads of Agreement retains important parts of the existing system, including 45 per cent efficient growth calculated at the NEP, while being capped at an overall funding growth rate of 6.5 per cent per annum. The COAG Heads of Agreement also includes a commitment from all jurisdictions to improve patient safety and the quality of services being provided. The IHPA will be supporting all jurisdictions in the implementation of this important reform.