

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2013-14, 5/6 & 7 June 2013

Question: E13-238

OUTCOME: 13 - Acute Care

Topic: Activity Based Funding

Type of Question: Written Question on Notice

Senator: Di Natale

Question:

At the 2013 Post Budget Health Briefing, the Minister for Health said that Activity Based Funding effectively uncaps Commonwealth funding to hospitals, and creates incentives for consumers to be treated in hospital:

- a) Will this generate higher volumes of hospital procedures at the expense of non-surgical interventions?
- b) Has any research been undertaken to investigate the impact of placing these incentives at the acute end of the care spectrum?
- c) Have any complementary pricing mechanisms been considered to provide incentives for primary and preventative interventions outside hospital?

Answer:

- a) There is no evidence to suggest that the introduction of Activity Based Funding (ABF) for public hospital services will generate higher volumes of hospital procedures at the expense of non-surgical interventions. It is noted that responsibility for determining clinically appropriate treatments for patients rests principally with clinicians.
- b) Under the National Health Reform Agreement (NHRA), the scope of public hospital services receiving Commonwealth funding is broader than acute inpatient care and includes all admitted services, including Hospital in the Home programs; emergency department services; and non-admitted, mental health and subacute services. In addition, the Independent Hospital Pricing Authority's pricing framework stipulates that funding design should minimise susceptibility to gaming, inappropriate rewards and perverse incentives. The prices for both admitted and non-admitted services have been developed with these impacts in mind.
- c) The implementation of ABF for public hospital services does not change the existing responsibilities of governments for funding other health services. In this regard, the Commonwealth continues to subsidise general practitioners, private medical specialist services, pharmaceuticals and aged care while the states and territories continue the provision and funding of public and community health and other specialised services.

Also, under the NHRA the Commonwealth funds a share of a wide range of non-admitted public hospital services, independent of the service setting in which they are provided. Non-admitted patient services in-scope for funding include services that are related to, substitute for, or reduce the frequency of inpatient admission or emergency department attendance. These include, for example, hospital avoidance programs providing comprehensive clinical assessment, risk screening and review of care generally targeted at people with chronic health or mental health conditions at risk of unplanned hospital presentations.