2014

A national perspective on activity based funding and rehabilitation

Kathy Eagar
University of Wollongong, keagar@uow.edu.au

A national perspective on activity based funding and rehabilitation

Abstract

Overview

- Health reform - where we've been, where we are (probably) going

- The IHPA model and variations on a theme

- AN-SNAP update

Keywords

funding, activity, perspective, rehabilitation, national

Publication Details

K. Eagar "A national perspective on activity based funding and rehabilitation", NSW Rehabilitation Network ABF Forum, ACI Sydney, 14 Jul 2014, (2014) http://www.aci.health.nsw.gov.au/__data/assets/pdf_file/0009/233289/2-A-National-Perspective-on-ABF-Kathy-Eagar.pdf

A National Perspective on Activity Based Funding and Rehabilitation

Professor Kathy Eagar
Director, Australian Health Services Research Institute

Rehabilitation Network ABF Forum,
NSW Agency for Clinical Innovation, Sydney 14 July 2014

University of Wollongong

ahsri

Overview

- Health reform – where we've been, where we are (probably) going
- The IHPA model and variations on a theme
- AN-SNAP update

A quick reminder of recent history

Core design features of the National Health Reform Agreement (NHRA)

Signed by COAG 31 July 2011

University of Wollongong

Brave new world

ahsri

- Health system splits into 5
  - Hospitals - State responsibility
    - Commonwealth to contribute its share on an activity basis
  - Private sector primary care - Commonwealth responsibility
  - “Aged care” including Home and Community Care (HACC) for people 65 years and over - Commonwealth
    - except Victoria and Western Australia
  - Disability services - State responsibility
    - All disability, HACC and residential care for people less than 65 years
  - Community health, population health and public health - State responsibility

University of Wollongong

New entities

ahsri

- **National**
  - Independent Hospital Pricing Authority (IHPA)
  - National Health Performance Authority (NHPA)
  - National Health Funding Pool
    - Reserve bank accounts (one for each state and territory) with an independent administrator
- **State**
  - Ministry and pillars in NSW
- **Local**
  - Local Hospital Networks (LHN)
    - Local Health Districts in NSW, Hospitals and Health Services in Qld etc
  - 'Medicare Locals'

University of Wollongong

ahsri

Commonwealth Premise

- Hospitals - big white buildings surrounded by a fence
- Everything outside the fence is either ‘primary care’ or ‘aged care’ or a ‘disability service’
  - no terms defined
- Specialist services outside the fence (public and private) not adequately recognised in original agreement
  - but IHPA has gone a long way to addressing this since

University of Wollongong

ahsri

Hospitals

The centre of the health reform

- creating perverse incentives for some very regressive thinking!

Commonwealth role from 2014

- Pay a 'national efficient price' for every public hospital service
  - Funding at current levels (around 38%) until 1 July 2014
  - 2014-2017 - fund 45% of **efficient growth** in public hospitals
  - 2017 on - fund 50% of **efficient growth** in public hospitals
- Fund States (and through them LHNs) a contribution for:
  - teaching, training and research
  - block funding for small public hospitals
- Agreement has detailed arrangements for defining a 'hospital' service that the Commonwealth will partly fund

University of Wollongong

ahsri

IHPA role (this week)

- Define activity units and set the price that the Commonwealth will pay for a unit of activity (National Weighted Activity Unit - NWAU)
- IHPA determines the price paid to States (via LHNs)
- IHPA does not determine the price paid by a state or territory to an LHN or hospital
  - Although states and territories are free to adopt the IHPA price if they want

University of Wollongong

ahsri

"National efficient price"

- Five different classifications for different streams of activity:
  - acute admitted
  - emergency department
  - subacute
  - outpatient services
  - mental health
- One 'national efficient price' for a 'national weighted activity unit' (cost weight)
- Cost weights equalised across classifications

University of Wollongong

ahsri

National ABF activity classifications

- Acute - AR-DRG
- Subacute and non-acute - AN-SNAP
- ED - Urgency Related Groups - URGs or Urgency Disposition Groups - UDGs
- Outpatients and community care - Tier 2 outpatient clinic list of Service Events
- Mental health – new classification to be developed
- Teaching and research – block funded for now

University of Wollongong

ahsri

Calculation of Efficient Price

- Based on the “cost of the efficient delivery of public hospital services”
- Adjusted for ‘legitimate and unavoidable variations in wage costs and other inputs which affect the costs of service delivery, including:
  - hospital type and size
  - hospital location, including regional and remote status and
  - patient complexity, including Indigenous status’
- In practice it’s just the average escalated

University of Wollongong

There is no mandated national ABF model

ahsri

- States and territories signed on to implement ABF principles, but not necessarily the IHPA detail
- NSW has attempted to adhere to the IHPA detail more closely than other states and territories
- LHDs need to fund their hospitals within ABF principles, but not necessarily adopt the IHPA detail
- The detail is still evolving at national, state and local levels
  - How do the lessons get learned and shared?

University of Wollongong

Victoria

ahsri

- Kept existing WEIS model for acute care (not NWAU)
- 17 class Interim-Subacute and Non-Acute Classification (I-SNAC) – per diem
- Non-Admitted Emergency Services Grant (NAESG) to 39 hospitals that provide 24-hour ED
  - ED only episodes can no longer be admitted
  - Two components: a 24-hour availability component and a non-admitted activity component
- Separate renal dialysis and radiotherapy funding models
- Other outpatients are still block funded
- Plus specified grants and training and development funding

University of Wollongong

Queensland

ahsri

- Includes site specific grants and grants for clinical education and training
- Full funding for private and ineligible patients.
- Per diems for admitted mental health patients in designated wards.
- Continuation of historical funding for block-funded hospitals
  - Not IHPA national efficient cost
- Other localisations including different prices for new / review outpatients, no funding for emergency department patients who did not wait, inclusion of a non-admitted clinic for clinical measurement etc

University of Wollongong

ahsri

What's an NWAU worth?

For 2013/14:

- NWAU $4993
- Queensland $4660
- NSW $4671
- Western Australia $5152
- WEIS not NWAU in Victoria so not comparable

2014 federal budget included big changes

Bye bye IHPA, NHPA, Medicare Locals etc.

Hello (maybe) National Productivity and Performance Authority

University of Wollongong

A few 2014 budget headlines

ahsri

- White paper on the future of the federation:
  - Hospitals and schools are a state, not a federal, responsibility
- National Health Reform Agreement in place till 2017. won't be renewed. From July 2017:
  - Commonwealth revert to block payments and
  - abandons commitment to 50% of growth funding
  - Commonwealth growth funding reduces from 9% pa to 6.5%.
- States and territories have agreed to continue with ABF funding at the state level regardless

ABF is here to stay regardless of what happens at the Commonwealth level

Task now is to progressively develop and implement the best model possible

AN-SNAP

Australian National Subacute and Non-Acute Patient classification

University of Wollongong

Scope

ahsri

- Care in which diagnosis is not the main cost driver

- Subacute Care
  - enhancement of quality of life and/or functional status
- Non-Acute Care
  - supportive care where goal is maintenance of current health status if possible

University of Wollongong

ahsri

AN-SNAP

- Current version is V3, developed 2012
- Work to develop V4 in progress
  - Plan is to complete in 2014 and implement nationally on 1 July 2015
  - V4 being developed by Centre for Health Service Development (UoW) led by A/Prof Rob Gordon and A/Prof Janette Green with A/Prof Chris Poulos participating as a member of the team. Sharon Smith representing NSW on the working groups
  - Multiple consultations underway seeking ideas for incorporation in V4 and beyond

AN-SNAP Version 4

Preliminary design approach

University of Wollongong

ahsri

AN-SNAP Version 4

- **INPATIENT** – basic structure to be maintained but differences in detail of classes
  - No assessment only class
  - Separate classes for very low FIM motor group (but probably not split off at FIM=13, more likely is 18)
  - Split into major impairment groups
  - Then weighted (not raw) FIM scores – motor, cognitive and/or total)
  - Some age splits

University of Wollongong

ahsri

AN-SNAP Versions 4 and 5

AMBULATORY – same day admitted, outpatient, out-reach and day program

- Separate classes for same day admitted
- AN-SNAP Ambulatory classes (only) for multidisciplinary rehabilitation (and other subacute) programs
  - Clear business rules required
  - Similar to private sector rehab program structure
- Tier 2 outpatient clinic classification for single discipline care

University of Wollongong

ahsri

AN-SNAP Versions 4 and 5

CONSULTATION-LIAISON / INREACH

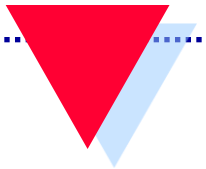
- Patient is the medico-legal responsibility of another stream
- Not recognised by IHPA as separate ‘activity’ for ABF purposes
- But considered best practice
- In AN-SNAP V4 we are treating for classification purposes as ambulatory care. States can then price

University of Wollongong

ahsri

AN-SNAP V4 and 5

- Separate (new) classes for paediatrics
- Maintenance care type to be renamed Non-acute
- No ambulatory Non-acute branch
- GEM classes defined by FIM Motor and diagnoses/problems, especially delirium
- Conversation about replacing three Care Types (Rehabilitation, GEM and Psychogeriatric) with two Care Types in V5



Version 5 and beyond

University of Wollongong

ahsri

Cost drivers

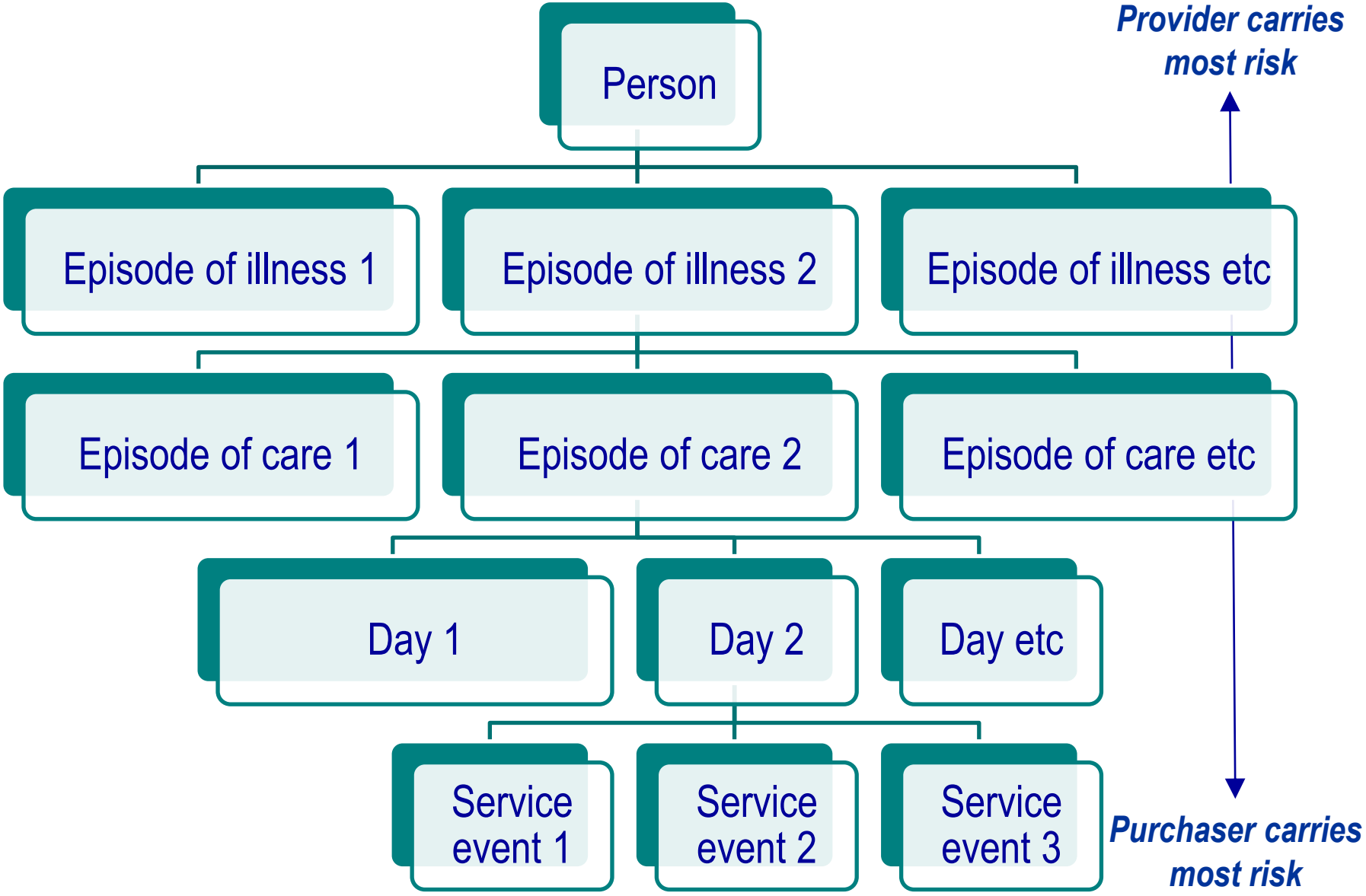
- Need to distinguish between the **classification**, the **funding model** and the **price**
- Are additional **classification** variables required to better explain differences between **patients**?
- How to classify paediatric rehabilitation?
- What additional factors need to be taken into account to better explain legitimate **cost** differences between **providers** and how to use this information in **pricing**?

University of Wollongong

ahsri

Non-admitted rehabilitation

- IHPA is 'agnostic' about both setting and provider:
  - No distinction between rehabilitation care provided at home, in an outpatient clinic or in a day hospital
- How to classify 'same day admitted' care?
  - IHPA classifies as inpatient, AN-SNAP as ambulatory
- What unit of counting?
  - AN-SNAP is by episode (program)
  - Tier 2 is by Service Event


Person
Episode of illness 1
Episode of illness 2
Episode of illness etc
Episode of care 1
Episode of care 2
Episode of care etc
Day 1
Day 2
Day etc
Service event 1
Service event 2
Service event 3
Provider carries most risk
Purchaser carries most risk

University of Wollongong

Other future developments?

ahsri

- New models of care?
  - Consultation liaison?
- Price for quality and outcomes, not based on current average cost?
  - Pay for Performance (P4P)?
- How to deal with gaming?
  - Manipulating your data so patients are assigned to higher-paying classes
  - This is not in the interests of quality care
  - How do we get the message through?

University of Wollongong

Want to know more?

ahsri

- **http://ahsri.uow.edu.au/chsd/abf/index.html**
  - ABF Information Series No. 1. What is activity-based funding?
  - ABF Information Series No. 2. The special case of smaller and regional hospitals
  - ABF Information Series No. 3. Lessons from the USA
  - ABF Information Series No. 4. The cost of public hospitals - which State or Territory is the most efficient?
  - ABF Information Series No. 5. Counting acute inpatient care
  - ABF Information Series No. 6. Subacute care.
  - ABF Information Series No. 7. Research and training
  - ABF Information Series No. 8. Mental health
- **http://www.ihpa.gov.au**

P4P

The evidence on linking hospital funding to quality and safety

University of Wollongong

4 models

ahsri

- **Best practice pricing**
  - evidenced based decisions on what constitutes "best practice" for a particular condition, then applying a price for this best practice package of service or model of care
- **Normative pricing**
  - use of price to influence the delivery of care (eg, provide more in-home care for certain conditions)
- **Quality structures pricing models**
  - payment for participation
    - eg, link accreditation to funding in the private hospital system
- **Payment for Performance (P4P) or Quality pricing**
  - financial incentives and / or disincentives for certain behaviours or outcomes

University of Wollongong

Paying for performance (P4P)

ahsri

- The idea of linking funding and quality is inherently appealing and on the agendas of many countries
  - governments, funders, clinicians and consumers all like the concepts
- The international evidence does not support the adoption of a hospital pricing model that incorporates financial incentives and/or sanctions for quality and safety
- The best evidence for improving patient outcomes overall is for clinical registries linked to benchmarking
  - but these are not typically linked to funding at all

How can NSW ensure that it learns from current experiences to refine the model over time?

Not just NSW lessons, but also those of other states and territories