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Dear Dr Powell

Submission to the Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2022–23

Thank you for your submission to the *Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2022–23* (the Consultation Paper).

The Independent Hospital Pricing Authority (IHPA) is pleased to inform you it has published the *Pricing Framework for Australian Public Hospital Services 2022–23* (the Pricing Framework) and the accompanying Consultation Report. These documents are available on the [IHPA website](#).

IHPA received a number of submissions to the Consultation Paper, which helped inform the decisions in the Pricing Framework. The Consultation Report includes an overview of the feedback received through the Consultation Paper.

IHPA appreciates the extensive feedback received from the Royal Australasian College of Physicians (RACP) regarding the short and long term impacts of Coronavirus Disease 2019 (COVID-19), adjustments to the national efficient price (NEP), future funding models, and pricing and funding for safety and quality. I would like to take this opportunity to provide specific responses to your comments on these issues.

Impact of COVID-19

The RACP submission identified the impact of COVID-19 on activity and health service delivery, including periods of reduced activity followed by surges stemming from delayed care or rescheduled services, reductions in emergency department presentations and changes to hospital procedures and protocols.

IHPA notes the RACP's recommendation to use the learnings from the COVID-19 pandemic response to address preventable vulnerabilities and gaps in the implementation of work, health and safety provisions in public hospitals. The RACP noted that COVID-19 has highlighted existing resource pressures and the need for coordinated and integrated care.

IHPA continues to work with jurisdictions and stakeholders to assess and account for the impact of COVID-19 on the National Efficient Price Determination 2022–23 and future determinations, including consideration of the issues raised by the RACP. The longer term impacts of COVID-19 will be assessed as updated data becomes available.

Adjustments to the NEP

IHPA notes that the RACP supports reinvestigating an adjustment for patient transport in rural areas, reviewing the Indigenous adjustment, and exploring new adjustments for genetic services and patients with special needs in hospitals.

Independent Hospital Pricing Authority

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IHPA acknowledges the challenges and costs associated with patient transport in rural areas that are captured inconsistently by the existing adjustments and notes the recommendations from the RACP to incorporate the cost of escort services in an adjustment for patient travel. As outlined in the Pricing Framework, IHPA intends to explore options to address the current lack of patient level data and investigate the feasibility of a new adjustment for the NEP Determination 2023–24.

IHPA also intends to review the Indigenous adjustment for the NEP Determination 2023–24, and will explore the RACP's recommendations to consider the increased complexity and multidisciplinary needs of Aboriginal and Torres Strait Islander patients, and potentially incentivising the use of Aboriginal Liaison Officers.

IHPA will work with jurisdictions and broader stakeholders to consider the feasibility of adjustments for genetic services and older patients with cognitive impairment and Behavioural and Psychological Symptoms of Dementia for future determinations, pending jurisdictional capacity and capability. Specific next steps could involve undertaking costing studies to better understand the cost drivers for these areas.

Future funding models

IHPA notes the recommendations from the RACP to focus on outcomes over volume of services, and to incorporate clinical engagement and more integrated approaches to delivering care. Specifically, the RACP noted that the model of care outlined in the *RACP Model of Chronic Care Management* could be used to target patients with chronic and complex conditions, to reduce unnecessary and potentially preventable hospitalisation.

IHPA will consider the recommendations from the RACP in refining its approach for supporting trials of innovative funding models, including for chronic condition capitation models. IHPA is in the process of developing project parameters and business rules for innovative funding models to pilot with interested jurisdictions in 2022–23, pending jurisdictional capability and capacity. IHPA will work closely with jurisdictions and broader stakeholders to facilitate the implementation pathway for trialling state and territory nominated innovative funding models.

Avoidable and preventable hospitalisations

IHPA notes the recommendations from the RACP for pricing and funding options for reducing avoidable and preventable hospitalisations, including incentivising greater investment in non-admitted services, promoting preventative care and secondary prevention, and applying a penalty to disincentivised costing shifting between the local hospital network sector and the primary care sector. IHPA will incorporate the feedback from the RACP in guiding its future work in this area.

Thank you again for your contribution to the Consultation Paper. Should you have any further comments, please do not hesitate to contact [REDACTED] Executive Director, Policy and Classification, at [REDACTED]

Yours sincerely

[REDACTED]

James Downie
Chief Executive Officer
Independent Hospital Pricing Authority

21 December 2021