

ABF/EF

SUMMARY

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NSW Health ABF Implementation

- The NSW Activity Based Funding (ABF) Policy is a priority reform initiative. Commenced in July 2008.
- It is linked to budgetary performance and it is designed to support and strengthen initiatives aimed at improving efficiency, safety and quality, and access and demand management.
- The ABF Policy provides the mechanism for allocating resources to public hospitals on the basis of the services delivered. When fully implemented, it will provide a key budget-setting and performance management tool for both managers and clinicians.

ABF Policy Objectives

- Create an explicit relationship between funds allocated and services provided.
- Encourage a stronger focus on outputs and outcomes, and also on quality as a measure of the cost effectiveness of expenditure.
- Encourage clinicians and managers to identify variations in costs and practices so that these can be managed to improve efficiency and effectiveness.
- Provide mechanisms to reward good practice and support quality initiatives.

Activity Based Funding

The NSW ABF Policy was reinforced in November 2008 when the Council of Australian Governments (COAG) agreed to a National Partnership on Hospital and Health Workforce Reform.

This was followed by additional COAG agreements:

- The National Health and Hospitals Network Agreement (excluding WA), signed in April 2010
- Heads of Agreement – National Health Reform signed in February 2011
- National Health Reform August 2011

National Health and Hospitals Network Agreement / National Health Reform

The Commonwealth will:

- **Commence ABF on 1st July 2012**
 - acute admitted patients
 - emergency department patients
 - outpatients patients
- **Commence ABF on 1st July 2013**
 - sub acute patients mental health
 - non admitted Patients

National Health and Hospitals Network Agreement / National Health Reform

The Commonwealth will:

- Fund **50%** of patients in public hospitals
- Assume funding and policy responsibility for GP and primary health care services.
- Improve the quality of care patients receive through higher performance standards.

Commonwealth Preparations

In 2010, the Commonwealth established the COAG Health Reform Implementation Group (HRIG) to oversee the implementation of ABF. HRIG has 6 Working Groups to cover all the patient care settings to be funded under ABF:

- Acute Admitted
- Emergency
- Sub acute
- Non -Admitted
- Mental Health
- Costing

Commonwealth Preparations

- The working groups are to advise HRIG on the overall work plan for ABF development, development and implementation of data sets, counting rules, classifications, costing methodology, funding and future strategic directions
- Proxy Classifications have been decided for each work stream
- A number of consultancies have been commissioned to further review the ABF models

ABF Development Elements

ABF Elements	Admitted Acute	Emergency Care	Sub-acute Care	Mental Health	Outpatient Care	Hospital auspiced CHS	Teaching Training & Research	Community Service Obligations
Product ID & Classification								
Counting								
Costing								
Data Management, Analysis & Reporting								
Funding								
Governance & Management								

How is an ABF budget calculated?

Implications of Activity Based Funding

- Activity Based funding means that you get paid for the work you do within the targets set
 - Volume and type of patients
 - Complexity
 - i.e. **Funding = Volume X Price**
- Need to ensure correct classification of;
 - ICU and ED stays
 - Service Category changes:
 - Rehabilitation and palliative care stays
 - Maintenance care

Implications of Activity Based Funding

- The adoption of set prices for target activity will present a significant challenge.
- Differences between historical budgets, actual expenditure and ABF budgets.
 - Need to become more cost efficient,
 - hospital average cost per costweight = av
 - Ensure clinical documentation is an accurate reflection of complexity of patient, therefore appropriate AN-DRG and costweight is assigned
 - Ensure service categories are correct, therefore correct funding model is used for the correct patient
 - Ensuring appropriate cost weights for appropriate price
- Develop and Implement Hospital and LHDs Plans to achieve activity targets, quality and access benchmarks and reduce expenditure.

What is the Currency?

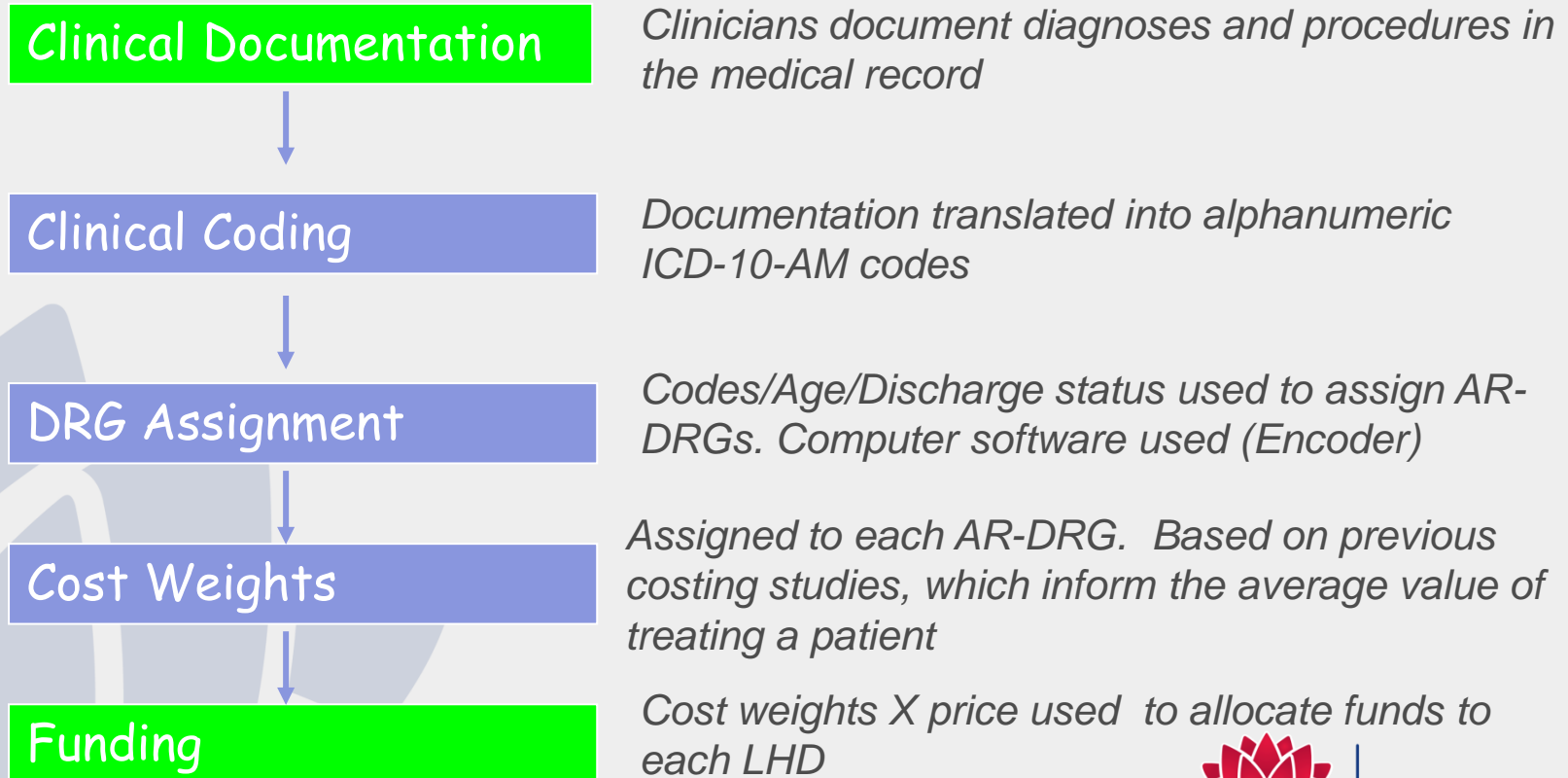
- **Costweights**
- Bed days
- Clinics/Occasions of Service

Clinical Documentation

How is it Determined?

Costing Studies are used to update the Costweights

Clinical Documentation to Funding



National Health Reform Agreement (NHRA) and FUNDING

- What does it mean for NSW ?
- Relationship of the Independent Hospital Pricing Authority (IHPA)

Total Health Expenditure

In scope for agreement

C'wlth Funded (SPP - approx 40%)
plus
State Funded

Out of Scope

State
responsibility

ABF

Block

Dental,
Methadone,
RACs etc

Acute

ED

Outpatients

MH,
Subacute,
other non
admitted,
CSOs

Determination of Funding

- IHPA – Determines National Efficient Prices (NEP) for both ABF services and “inscope” Block services.
- NEP forms the basis of Commonwealth Funding component
 - Baseline activity Funded at % of NEP
 - Annual activity growth funded at % NEP
 - 2013/14 45%
 - 2017/18 50%
- State Pricing framework
- Local Health District Funding framework
- Other Revenue components (e.g. DVA, MAA, Health Funds and Private Patient charges)

Total Health Expenditure

Direct Facilities (Hospital)
Services Expenditure

LHD
Community
managed
Services

LHD
manage
d costs

External
Inputs
•HSS
•Ambulance
•NETS

Allocation Process
UAR, PPM2

In Scope
ABF Services

In Scope
Block
Services

Out of
Scope
Block / ABF

- Performance Monitoring
- Reporting
- Funding Acquitment

Current Status

Commonwealth:

- NSW negotiating scope of “in-scope” services: and
- Services that will need to be Block Funded

IHPA:

- Draft pricing Framework released 16 January 2012
- Public release of final Pricing Framework late May 2012

Current Status

KPMG Readiness project:

- Self assessment exercise completed
- LHD site visits in progress
- Final report due early April

ABF taskforce:

- Draft State Prices being prepared.
- PPM2 Rollout
- ABF Framework document in progress (sub component of Purchasing Framework)
- Draft Cost Accounting guidelines being prepared
- NSW Health ABF Strategies Symposium

Questions ?

Thank You