



Council of Social Service of New South Wales

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Draft Pricing Framework Submissions
Independent Hospital Pricing Authority (IHPA)
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To whom it may concern

I am writing on behalf of the Council of Social Service of NSW (NCOSS) regarding the Independent Hospital Pricing Authority's discussion paper on a draft pricing framework, *Activity based funding for Australian public hospitals: Towards a Pricing Framework*.

NCOSS is the peak body for the non government community services sector in New South Wales (NSW). NCOSS provides independent information, advice, policy development, and advocacy for the interests of disadvantaged people and the non-government community services sector. This response is informed by the NCOSS Health Policy Advice Group (HPAG), a forum of peak and state-wide non-government organisations with an interest in health and equity issues.

NCOSS broadly supports the proposed pricing framework, but has concerns about the potential unintended consequences for health equity, access to services, and investment in primary and community health.

This submission outlines our global concerns about the impact of activity based funding on the overall health system. It does not address the specific discussion questions as some technical aspects of the proposed Framework are not within our expertise.

Principles

NCOSS agrees with the principles proposed to guide the pricing of hospital services with the addition of equity and access principles, and a broader application of the efficiency principle.

Equity considerations must not only inform hospital pricing, but the impact of the funding framework on the wider health system. Equity is a core value of Australia's healthcare system. NCOSS is concerned that the introduction of activity based funding for Local Health Networks potentially reduces the equitable distribution of resources on a state-wide basis. As a safeguard, the states must retain their

capacity as systems managers to vary the funding contribution to Local Health Networks and facilitate equitable resource allocation. NCOSS therefore recommends that equity is added as an overall principle of the new framework.

Access to services should be an explicit consideration of the funding framework. NCOSS is concerned that consumers' access to services could be reduced due to perverse funding incentives. Hospitals may 'cherry pick' the provision of services with higher financial returns at the expense of less profitable services. The timely provision of quality care is not synonymous with maintaining access to the full range of services. NCOSS recommends that the principle 'timely-quality care' is expanded to incorporate 'access to timely, quality care'.

Efficiency considerations must extend to the broader health system and not just hospitals. The discussion paper states that ABF should improve the value of investment in hospital care and ensure efficient hospital services. It also acknowledges the potential for perverse incentives. The funding framework must consider the impact on private hospital services and primary and community based services so that efficiency gains in the hospital system do not come at the expense of the efficiency of the health system as a whole. NCOSS recommends that the principle of efficiency is applied broadly to the health system, and not just public hospital services.

Scope of services in the new funding arrangements

NCOSS supports an inclusive approach to determine the scope of services eligible for Commonwealth funding to minimise the impact of perverse funding incentives. We recognise the difficulty classifying services for the purposes of ABF. However, the proposed definition of '*services funded by a public hospital*' does not capture state-funded hospital substitution or avoidance programs provided by non-government organisations (NGOs).

This definition may create service gaps and fragmentation across settings. Local Health Networks may increase the provision of hospital services and reduce the provision of comparable community-based services to maximise their funding. This would have a negative impact on the overall sustainability of the health system as community-based programs are generally more cost-effective and produce better patient outcomes. NCOSS therefore recommends a broad definition of services for the purposes of ABF.

NCOSS believes that there needs to be a commensurate funding system to incentivise the provision of primary and community health services, particularly health promotion, prevention and early intervention. NCOSS acknowledges that the parameters for ABF are set by the National Health Reform Agreement. However, we believe that the proposed framework will incentivise the provision of hospital services at the expense of community health services. This is contrary to the National Healthcare Agreement that states Australia's healthcare system should focus on the prevention of disease and maintenance of health, not simply the treatment of illness.

The National Healthcare Agreement policy and reform directions on sustainability identifies rewarding allocative efficiency across preventative, primary, acute care,

sub-acute, rehabilitation and aged care services (clause 33). NCOSS is concerned that there is no consideration of growth funding for primary and community health. NCOSS recommends that Governments prioritise the development of a primary and community health policy and funding framework that reorientates health system investment in services that keep people healthy and out of hospital.

NCOSS recommends consultation with non-government health sector in the development of a commensurate funding framework for primary and community health services. Non-government peak health organisations can provide data and information to Governments and Health Departments to support their funding determinations.

NCOSS submits that the application of ABF to public dental services according to the draft criteria 1 - 9 is unclear. NCOSS notes that this is subject to discussions by State and Commonwealth Governments. We look forward to further clarification by the IHPA in the next iteration of the Framework.

Determining funding on the basis of activity or block grant

NCOSS affirms the importance of teaching, training and research functions and support the continuation of block grants.

NCOSS recognises the technical difficulties associated with costing some health services, such as community-based sub acute and mental health services. NCOSS recommends specific consultation with the mental health peak bodies, such as Mental Health Council of Australia and NSW Mental Health Coordinating Council, to determine the service classification and costing, and funding models for mental health services.

NCOSS also recommends that the IHPA considers the role of new national and state mental health commissions in the determination of the funding framework for mental health services.

National efficient price

NCOSS supports price adjustments for hospital location where it can be demonstrated that there are additional and unavoidable costs in specific locations. NSW has a comparatively large proportion of its population in rural and remote areas. NCOSS recommends that loadings should take into account unavoidable additional costs in providing services in rural and remote areas with geographically dispersed populations.

Other comments

NCOSS recommends that the Independent Hospital Pricing Authority (or appropriate body) develops and implements a monitoring and evaluation framework for the new pricing system. The discussion paper does not address how the effectiveness of the pricing system will be measured. Regular review and evaluation will be critical to identify any negative or unintended consequences, such as burdensome

administrative requirements or cost-shifting to inappropriate care settings, and to inform on-going refinement of framework.

Thank you for the opportunity to comment on the draft Pricing Framework. If you would like any more information please contact Ms Solange Frost, Senior Policy Officer, NCOSS on 02 9211 2599 (ext 130).

Yours sincerely

A handwritten signature in black ink that reads "Alison Peters". The signature is written in a cursive, flowing style.

Alison Peters
Director

cc: Mr Neville Onley, Director, Activity Based Funding Taskforce, NSW Ministry of Health, email: neville.onley@doh.health.nsw.gov.au