



Private Healthcare Australia
Better Cover. Better Access. Better Care.

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28 August 2017

Independent Hospital Pricing Authority
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Consultation paper on the pricing framework for Australian public hospital services 2018-19

Private Healthcare Australia (PHA) is the industry body representing Australia's private health insurers, with its members comprising more than 96% of the private health insurance market by number of policies. Private health insurers have an interest in IHPA's pricing framework for public hospital services because the Australian Refined Diagnosis Related Groups (AR-DRG) classifications are used by the industry for funding services provided by private hospitals.

While PHA supports the proposal to facilitate a transition to the most recent AR-DRG version and the phasing out of older versions in principle, this should not occur until updates to private hospital cost reporting have been incorporated into the more recent versions.

The available cost information for the private hospital sector is substantially out of date in comparison with the public hospital sector. We understand that the last three published reports have been based on private hospital cost information collected in 2011 as part of AR-DRG version 6.0x.

PHA is therefore concerned by the proposal to remove support for the continued use of AR-DRG version 6.0x until later versions are updated to include more recent cost information for private hospitals. Until this occurs, PHA submits that AR-DRG version 6.0x should be considered the 'most recent' version – as it is the latest AR-DRG version which incorporates both public and private hospital cost reports.

The PHI industry has indicated its support for arrangements between insurers and private hospitals to shift to the new AR-DRG version within 18 months of its publication, provided exemptions are granted to allow for existing contractual arrangements between insurers and hospitals. Given that insurer-hospital contracts typically last for two or three years, a three-year transition period is proposed to fully transition to the most recent AR-DRG version (assuming that by this time the most recent AR-DRG version will incorporate both public and private hospital cost reports).

Phasing out AR-DRG version 6.0x without first addressing the lack of private hospital cost information in more recent versions would have an unnecessary adverse effect of reducing transparency and removing a much-utilised benchmarking tool in the private hospital sector. The continued use of outdated reports reduces the transparency and relevance of the cost information in the private sector.

PHA also recommends IPHA harmonise standards for National Hospital Cost Data Collection (NHCDC) data collection and reporting across the private and public sectors and introduce mandatory participation to facilitate a more timely transition to more recent AR-DRG versions across the sector.

PHA would welcome the opportunity to consult further, in person, with IHPA if necessary.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rachel David', is positioned above the printed name.

Dr Rachel David
Chief Executive Officer