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RCPA
The Royal College of Pathologists of Australasia

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Independent Hospital Pricing Authority
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Email: communications.ihpa@ihpa.gov.au

Dear Madam / Sir

RE: Pricing Framework for Australian Public Hospital Services 2016-17

Thank you for your email of 24 June inviting the Royal College of Pathologists of Australia (the College) to provide a submission on the above consultation document. While the document is silent on pathology, at least in regard to direct references, there are however matters related to pathology that are relevant to the proposed pricing framework and/or price setting and thus the College would like to offer the following comments.

The discussion on Page 13 section 4.5 on Multidisciplinary Case Conferences (MDCCs) is very relevant to pathology with an increasing demand for pathologists' participation. MDCCs and pathologist participation are now regarded as best practice for complex patient management and fundamental to safe practice with team-based clinical management decision making helping to avoid medical errors. This area of pathologists' activity is currently unrecognised in costing or funding systems. This means that the cost of this workload is hidden as an overhead in the cost of other services provided by pathologists ie tests and leads to distortion of pathology test costs and inappropriate comparisons with pathology costs in settings where the number of MDCCs attended and case reviews undertaken are less. This has emerged as an important item in the contestability framework. While methodologies are being explored to record the workload associated with MDCC case reviews, this is at an early stage and certainly not at a stage where the cost of participation can be unbundled from other pathology test costs.

The discussion of Page 13 section 4.7 on Teaching Training and Research is also very relevant to pathology services and their costs. Workload and related costs for these activities traverses a range of different categories and staff time involved varies with category and individual participation. Public Hospital pathology staff are extensively involved in training of other hospital staff in addition to a range of undergraduate health professionals and pathology vocational trainees. Once again the cost of performing these duties is carried as an overhead in test costs and distorts the actual cost of tests and the apparent contestability of public hospital based services. Suggestion of developing guidelines and measurable outputs may be the best determination for cost allocation moving forward, including publications, JSAC positions trained etc.

It is noted on Page 16 section 5.1 that "NHCDC is the primary data collection that IHPA relies on to develop the NEP and price weights for the funding of public hospital services on an activity basis … " The cost report from the NHCDC identifies pathology as one of the cost buckets. Information submitted to the NHCDC on pathology costs at DRG level is likely to be

inaccurate as different laboratories are asked for different data by their LHDs, the inevitably complex data provided is not well understood by LHDs, and in some cases costs for both public and private patients is included while in others only public patient pathology costs. Furthermore, different public pathology laboratories operate with different pricing models, including both fee for service, block funding and combinations. Even within fee for service models price points differ, often as a result of different application of coning rules and (Patient Episode Initiation) fees. Different application of coning results in a shift of price charged for different tests, eg turning off coning rules has the result that expensive high complexity anatomical pathology tests are charged at lower price than in other hospitals where coning is applied. These differences lead to significant distortions in costs reported at DRG level and included in NHCDC reports. Considerable effort is being undertaken in some jurisdictions to address these data quality and data consistency issues but there is much work still to be done.

The comments on Page 20 section 7.2 are noted and contribute to the distortions referred to above.

Yours sincerely

Dr Debra Graves
Chief Executive Officer