Independent Hospital Pricing Authority
Per e-mail: submissions.ihpa@ihpa.gov.au

Women's Healthcare Australasia (WHA) and Children's Healthcare Australasia (CHA) response to the IHPA's Consultation on the Pricing Framework for Australian Public Hospital Services 2016-17, July 2015

Thank you for the opportunity to provide comment in response to the IHPA Pricing Framework Consultation Paper.

Children's Healthcare Australasia (CHA) is the peak body for hospitals providing paediatric health care across Australia and New Zealand, while its sister organisation, Women's Healthcare Australasia (WHA) is the peak body for hospitals providing maternity and women's health services across Australia. Together, these organisations represent the majority of maternity and children's healthcare services in Australia.

In general, both WHA and CHA members welcome the approach proposed in the Pricing Framework consultation paper. The paper itself is clear and succinct.

WHA & CHA suggest the following in relation to the Pricing Framework:

- ***Uncomplicated Maternity Care*** – WHA members are in accord with the recommendation to bundle uncomplicated maternity care. We consider this an important step forward for the maternity care sector as a whole with the potential to drive forward quality outcomes in care. There is a strong and growing trend towards the delivery of maternity services via models of care that involve continuity of midwifery care, in collaboration with obstetric specialists. The continuity of care extends across the 9 months of the pregnancy and early newborn period, and is well suited to bundled funding. This model of care has been proven in randomised controlled trials to improve outcomes, and to reduce the complications associated with vaginal delivery. WHA would be very interested to work with IHPA on exploring this option in more detail.

- ***Alternate Geographical Classifications*** – WHA & CHA investigated the Modified Monash Model as represented on the website associated with the consultation paper. WHA & CHA strongly favour continuing with the least squares method as outlined in IHPA's current Technical Specifications. The reasoning for this is that families in very remote areas have a very different level of distance to services and access to services that a community that may be located around 30 minutes' drive from a major metropolitan centre.

- ***Intensive Interpreter Services*** – WHA and CHA note IHPA's investigation into the costs of care for patients from Culturally and Linguistically Diverse (CALD) groups and the finding that the costs of their care are not currently showing in available datasets as being significantly different

from other patients. Both WHA & CHA agree with this. WHA & CHA support IHPAs observation that funding for services specific to CALD patients could be improved. WHA & CHA are concerned that the care of this group of patients is under resourced within the women's and children's sectors. Without specific tagging of the use of Intensive Interpreter Services the work required to consult and communicate with these groups will continue to be under resourced. We strongly support this being a priority area for consideration for AHPCS version 4.

- ***Pricing of Mental Health Services*** – Following on from recent discussions with IHPA on this issue, CHA would like to highlight the pricing arrangements for the provision of Mental Health Services. In setting prices for Mental Health inpatient services, it needs to be remembered that not all mental health services are provided in the acute hospital sector. Where movement occurs between the tertiary hospital and secondary Child & Adolescent Mental Health sectors, there is potential for shorter length of inpatient stays to be reflected in the data, rather than the whole episode of care. There will be an effect on the whole industry in terms of the expected cost of care. Where a service retains the patient for the entire period of recovery from a Mental Health condition the expected cost will be very different from that reported by a service who retains the patient only for the period up until when the patient is discharged to a secondary Child & Adolescent Mental Health Facility.

- ***Specialist Psychiatric Age Adjustment*** - In the National Efficient Pricing Determination 2015-16, IHPA altered the Specialist Psychiatric Age Adjustment for an admitted acute patient who has one or more psychiatric care days during their admission. A key change was for patients aged 17 or less with a mental health related primary diagnosis (MDC 19 or 20) and who were admitted to a Specialised Children's Hospital. While the loading amount to be applied in 2013-14 and 2014-15 in these circumstances was 30%, this has now been reduced to 9%. By contrast, patients aged 17 years or less, who did not have a mental health related primary diagnosis and were admitted to a Specialised Children's Hospital mental health inpatient unit receive a 41% loading in the NEP Determination 2015-16. The National Pricing Model Stability Policy indicates that IHPA will undertake work to stabilise variation in the year-on-year National Efficient Price (NEP) and National Efficient Cost (NEC) price weights and adjustments, prior to determination of the NEP and NEC. The policy also states that year-on-year stability in the price weights and adjustments is necessary to ensure funding stability and predictability for Local Hospital Networks (LHNs) and hospital managers. In 2014-15 over 90% of Child & Adolescent Mental Health Service (CAMHS) patients were diagnosed with a mental health-related primary diagnosis. CHA considers a 21% reduction in adjustments for over 90% of its patients at the WA CAMHS to be both unstable and unpredictable. This revision to the adjustment will not be offset by a 41% loading for the small proportion of patients admitted to mental health wards where they do not have a mental health related primary diagnosis.

  CHA would be keen to see IHPA reconsider its analysis of the costs of delivering inpatient care to children and adolescents in MDC 19 and 20. At the CHA Mental Health Interest Group meeting on June 29th 2015, CHA asked for advice from members about any changes in activity, models of care, location of service delivery etc. that would potentially explain IHPA's observation of a significant reduction in the costs of CAMHS care for MDC 19 and 20 patients. Senior clinicians

from the Children's Hospital @ Westmead (CH@W) noted that the CH@W mental health ward had been closed for a period of 6 months during the 2013-14 year for redevelopment. Clinicians from the Royal Children's Hospital in Melbourne also advised that the number of CAMH Beds at their service was expanded considerably, so occupancy was comparatively lower as they flexed up to their new capacity. CHA is concerned that these one off factors may have combined to create the misleading impression of a significant gain in efficiency in care of MDC 19 and 20 patients by children's hospitals and reduced the perceived cost of service delivery given that there are only nine children's hospitals within scope.

CHA would also like to flag that not all CAMHS delivery is reported as associated with the tertiary Children's Hospital. Prime examples of this include Townsville and John Hunter Children's Hospitals who refer children to a separate service for psychiatric care. The Psychiatric Age Adjustment needs to take into account the fact that children & young people with psychiatric conditions may indeed appear to incur a short length of stay and low costs due to the fact that they are admitted to the tertiary service only for the period that it takes for a bed to become available within a secondary Child & Adolescent Mental Health Facility.

- **Reductions in Paediatric Adjustment** over the last 12 to 36 months have had a significant effect on CAMHS funding across a number of DRGs commonly associated with CAMHS patients, in addition to the 21% reduction in Specialist Psychiatric Age Adjustment. The following is noted in terms of year on year funding reductions for paediatric patients in some specific DRGs.

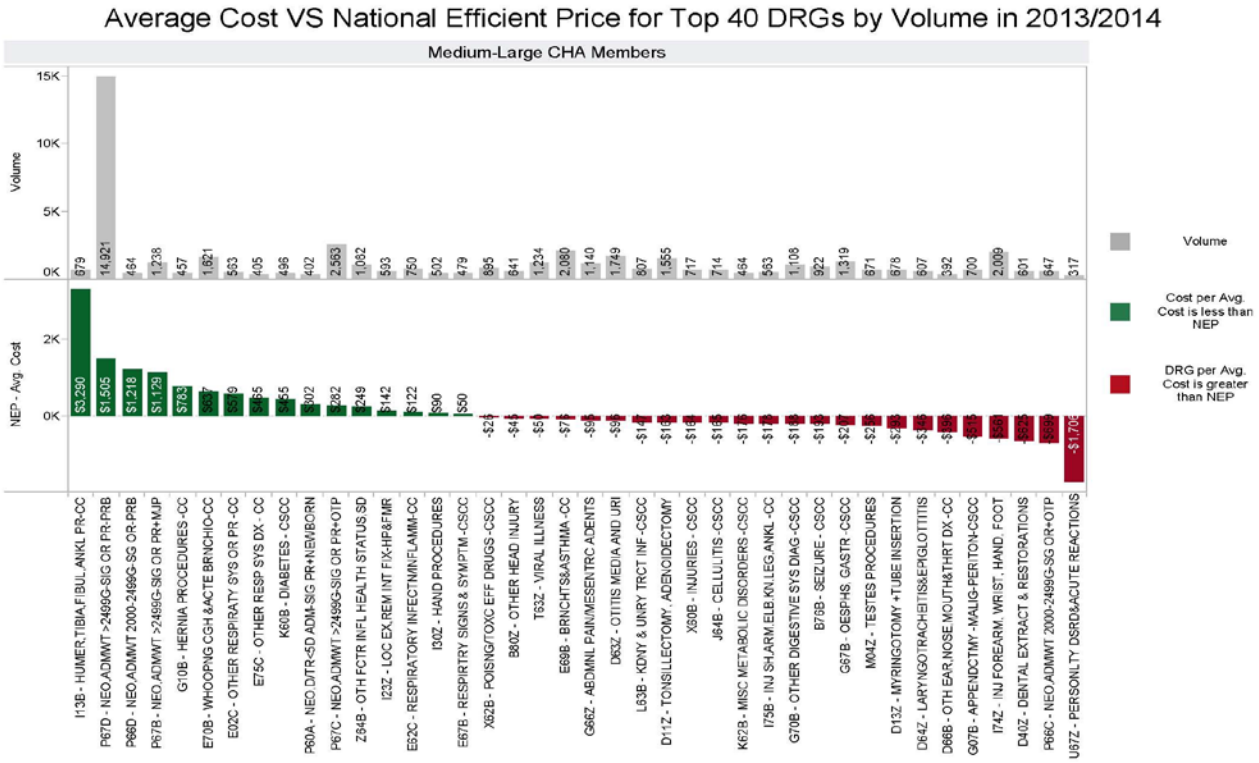
Paediatric Adjustments						
DRG	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**Funding Reduction last 12 months**	**Funding Reduction last 36 months**
U67Z	219%	200%	200%	159%	21%	27%
U63B	184%	190%	200%	179%	11%	3%
U66Z	133%	129%	124%	110%	11%	17%
U65Z	213%	199%	183%	187%	-2%	12%
V61Z	222%	100%	100%	100%	0%	55%
U61B	347%	100%	100%	100%	0%	71%

CHA requests that IHPA:

- Review its analysis of the psychiatric age adjustment to ensure that the closure of the Children's Hospital Westmead Mental Health Unit for 6 months did not have an adverse effect on its pricing determinations
- Review reductions in Paediatric adjustments along with the reduction to the Specialist Psychiatric Age Adjustment and consider whether it is possible to avoid bed closures in the WA CAMHS service
- Ensure future adjustments are restricted to a 5% variance to ensure services are able to accommodate changes; and
- Identify a clear escalation process for future situations where changes in pricing are at odds with the clear intent behind the National Pricing Model Stability Policy.

Costs associated with specific DRG groupings common to the paediatric setting

WHA and CHA have been assisting members to identify opportunities to identify, understand and address variation in costs compared with peers services of a similar size and capacity. One of the analytics we share with members is the attachment below:



The picture above depicts the costs as reported by Medium – Large sized services (services between 5,001 and 10,000 paediatric separations for the financial year) in the CHA Activity & Costing Reporting round for the 13/14 year. This picture shows the average cost as reported for this group against the Inlier NEP for the 40 most frequent DRGs for patients who were aged less than 19 years on admission to these services. These services do not qualify for the paediatric adjustment pertaining to specialised children's hospitals.

We note that the conditions for which paediatric units encountered higher costs in caring for children than the NEP for those DRGs were:

- Some Child & Adolescent Mental Health patient categories
- Every group of CHA member hospitals included Dental extractions amongst their top 5 loss leaders
- Comprised the greater majority of ENT related diagnostic groups
- Included appendectomy

CHA requests that IHPA consider these groups in particular when setting the future price for the delivery of these services.

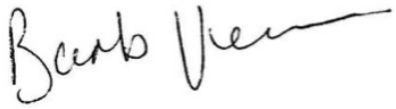
CHA also notes that many hospitals who treat children also have long wait lists pertaining to ENT and dental surgery. Some of the strategies that are used by these services to reduce waiting lists includes the scheduling of weekend surgical lists. Whist surgical waiting list issues are not the primary ambit of IHPA, an understanding of the mechanics behind the scenes may be of value.

Other comments

- **Australian Mental Health Care Classification** - Both WHA and CHA members support IHPA's proposed plan to publish a second Public Consultation Paper on the developments of the Australian Mental Health Care Classification (AMHCC) in August 2015. We note the relevance of this work both for CAMHS services and for women's health services caring for women's perinatal mental health. We trust that a robust consultation process will be used and that the implications of the final new framework for child & adolescent mental health inpatient care will be carefully considered.

Thank you for considering our submission.

Yours sincerely,



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