

Independent Hospital Pricing Authority

National Pricing Model Consultation Policy

May 2022



IHPA

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Acronyms and abbreviations

ABF	Activity based funding
AHPCS	Australian Hospital Patient Costing Standards
CAC	Clinical Advisory Committee
HCEF	Health Chief Executives Forum ¹
HMM	Health Ministers' Meetings ²
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
NEC	National efficient cost
NEP	National efficient price
NHRA	National Health Reform Agreement
NMDS	National Minimum Data Set
Pricing Framework	<i>Pricing Framework for Australian Public Hospital Services</i>
TAC	Technical Advisory Committee
The Addendum	Addendum to the National Health Reform Agreement 2020–25
The Administrator	Administrator of the National Health Funding Pool
This Policy	<i>National Pricing Model Consultation Policy</i>

¹ The Health Chief Executives Forum has been established as the advisory and support body to the Health Ministers' Meetings, and serves as the replacement for the Australian Health Ministers' Advisory Council.

² The Health Ministers' Meetings, comprised of all Australian health ministers, has been established to consider matters previously brought to the Council of Australian Governments Health Council, including matters relating to the national bodies. The Health Ministers' Meetings serves as the replacement for the Council of Australian Governments Health Council.

Definitions

Activity based funding	<p>Refers to a system for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the Independent Hospital Pricing Authority (IHPA), as outlined in the Addendum to the National Health Reform Agreement 2020–25 (the Addendum).</p> <p>An activity based funding (ABF) activity may take the form of a separation, presentation or service event.</p>
National funding bodies	Collective term for IHPA, the National Health Funding Body and the Administrator of the National Health Funding Pool (the Administrator).
National funding model	<p>Refers to the calculation, payment and reconciliation of Commonwealth national health reform funding for health services, by the Administrator applying the agreed methodology, business rules and policies. This is calculated from ABF based on national weighted activity units and IHPA's national efficient price (NEP) determination, and block funding calculated from the IHPA's national efficient cost determination.</p> <p>The agreed methodology, business rules and policies include the ABF formula, the Administrator's Calculation of Commonwealth National Health Reform Funding and associated operational documents, IHPA's <i>Pricing Framework for Australian Public Hospital Services</i> and national pricing model specifications, classification systems, counting rules, data, coding and costing standards.</p>
National pricing model	<p>The national pricing model is produced annually by IHPA and defines the NEP, price weights and adjustments based on the cost and activity data from three years prior. For more detail, refer to the link below for the National Pricing Model Technical Specifications.</p> <p>https://www.ihta.gov.au/what-we-do/pricing/national-pricing-model-technical-specifications</p>
Parties	Refers to the signatories to the Addendum, being the Commonwealth and each state and territory.
Pricing Authority	The governing body of IHPA established under the <i>National Health Reform Act 2011</i> (Cwlth).

1. Executive summary

1.1 Background

The National Health Reform Agreement (NHRA), signed in August 2011, specifies that the Independent Hospital Pricing Authority (IHPA) is to develop, refine and maintain systems as necessary to calculate the national efficient price (NEP), including determining classifications, costing, data elements and data collections.

The Addendum to the NHRA 2020–25 (the Addendum), signed by all Australian governments in May 2020, further defines IHPA's role in public hospital funding arrangements, particularly when considering changes to the national pricing model and the impact on the national funding model.

The national pricing model is produced annually by IHPA and defines the NEP, price weights and adjustments based on the cost and activity data from three years prior. The national pricing model is derived from activity based funding (ABF) based on national weighted activity units and IHPA's NEP Determination and block funding calculated from IHPA's national efficient cost (NEC) Determination.

1.2 Legislative requirements

Pursuant to section 211(1) of the *National Health Reform Act 2011* (Cwlth), the annual NEP and NEC Determinations are to be provided to the Commonwealth and state and territory health ministers for the statutory 45-day ministerial comment period prior to publication.

The Addendum outlines additional provisions relating to the consultation processes IHPA is required to undertake for proposed changes to the national funding model, with special reference to the processes for changing ABF classifications and costing methodologies.

Clause B10 of the Addendum provides that IHPA will undertake further consultation on changes that materially impact the application of the national funding model, in addition to specific consultation requirements and processes with the Parties, which refers to the signatories to the Addendum, being the Commonwealth and each state and territory.

Clause A42 of the Addendum requires IHPA to use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study, for two years or a period agreed with the Commonwealth and a majority of states and territories.

Clauses B37 and B38 of the Addendum outline the consultation requirements whereby IHPA must seek guidance from the Parties, through the Jurisdictional Advisory Committee (JAC), when implementing changes to the national funding model that will impact the way services are delivered and provide a Statement of Impact when material changes or significant transitions are proposed to the national funding model.

Full extracts from the Addendum are provided at [Appendix A](#).

1.3 Purpose

The purpose of the *National Pricing Model Consultation Policy* (this Policy) is to outline the guiding principles and consultative processes associated with the development of the NEP and NEC Determinations and proposed changes that materially impact the application of the national funding model.

This Policy is intended to facilitate the engagement and participation of jurisdictions in the consultation process, through the IHPA JAC and Technical Advisory Committee (TAC), particularly in identifying operational and clinical implications of proposed changes. In order to maintain accurate and effective pricing of public hospital services, IHPA must ensure the consultation process is completed in a timely and predictable manner, to allow sufficient notification for implementation of changes.

This Policy is to be applied in conjunction with the following IHPA policies:

- *Back-Casting Policy*
- *National Pricing Model Materiality Policy*
- *National Pricing Model Stability Policy*.

1.4 Review

The Pricing Authority and Chief Executive Officer of IHPA will review this Policy, including associated documentation, annually or as required.

This Policy was reviewed in May 2022.

2. Key principles

Under the Addendum, IHPA is required to seek guidance from the Parties when implementing changes to the national funding model that will impact the way services are delivered.

In determining the NEP and NEC for public hospital services, IHPA ensures these decisions are evidence-based and use the latest cost and activity data supplied by states and territories. IHPA balances a range of policy objectives including improving the efficiency and accessibility of public hospital services.

This Policy signals IHPA's commitment to transparency and accountability as it undertakes its work. IHPA and the jurisdictions will be guided by the following principles and responsibilities associated with the consultation process for proposed changes to the national funding model. The guiding principles are outlined in **Table 1**.

Table 1. Guiding principles for proposed changes to the national funding model

Overarching principles to inform the policy intent behind the consultation process for proposed changes to the national funding model	
Accurate pricing of services:	
The accuracy and responsiveness of IHPA's pricing processes will not be adversely affected by the additional procedures in place for consulting on proposed changes to the national funding model.	
Engagement:	
IHPA will actively engage and involve all nine jurisdictions in the consultative processes for proposed changes to the national funding model.	
Jurisdictions will actively participate in the consultation process for proposed changes to the national funding model.	
Transparency:	
Jurisdictions will be able to reliably anticipate outcomes of new processes associated with national funding model changes through the provision of technical details and clear policy objectives by IHPA.	
Jurisdictions will work with IHPA to identify potential risks and notify IHPA of unforeseen impacts identified as a result of application of the national funding model.	
Predictability:	
The pricing processes will be consistent and predictable to allow meaningful participation from jurisdictions and result in minimal disruptions to implementation of changes.	
Flexibility:	
Jurisdictions will be facilitated in making reforms to individual models of care and trialling innovative funding models.	

Process principles to guide the timing of the jurisdictional notification and consultation process
Early notification:
<p>IHPA will notify jurisdictions as early as possible of proposed changes to the national funding model to allow for meaningful contribution and smooth implementation.</p> <p>Jurisdictions will notify IHPA as early as possible when intending to trial an innovative funding model, request for additional guidance to be sought or escalate a funding policy issue.</p> <p>IHPA and jurisdictions will also notify each other as early as possible of any issues they may have identified.</p>
Timeliness:
<p>Processes will be timely to ensure effective and accurate pricing of public hospital services and, where possible, be aligned with jurisdiction budget cycles to minimise disruptions.</p> <p>Jurisdictions will respond to consultation requests and facilitate the provision of required data in a timely manner, to minimise delays in the consultation process.</p>
Impact principles to ensure consideration of all potential implications of proposed changes to the national funding model
Clinical and operational implications:
<p>IHPA will consider and address potential clinical and operational implications resulting from proposed changes that extend beyond financial implications.</p> <p>Jurisdictions have a mutual obligation to advise IHPA of any anomalies, risks or potential clinical or operational impacts that have been identified as a consequence of proposed changes to the national funding model.</p>

3. Consultation process

3.1 Overview

Under the Addendum, IHPA is required to consult with the Parties when developing the annual NEP and NEC Determinations and when considering and implementing changes to the national funding model that will impact the way services are delivered. IHPA seeks guidance from TAC and JAC, as well as health ministers through the statutory 45-day ministerial comment period. The Parties may escalate a funding policy issue to the Health Chief Executives Forum (HCEF) or the Health Ministers' Meetings (HMM) for consideration.

Changes proposed within the NEP and NEC development cycle will adhere to timeframes for existing annual processes relating to IHPA's *Pricing Framework for Australian Public Hospital Services* (the Pricing Framework) and NEP and NEC Determinations. This is outlined in **Table 2**.

Table 2. Timelines for the NEP and NEC development cycle

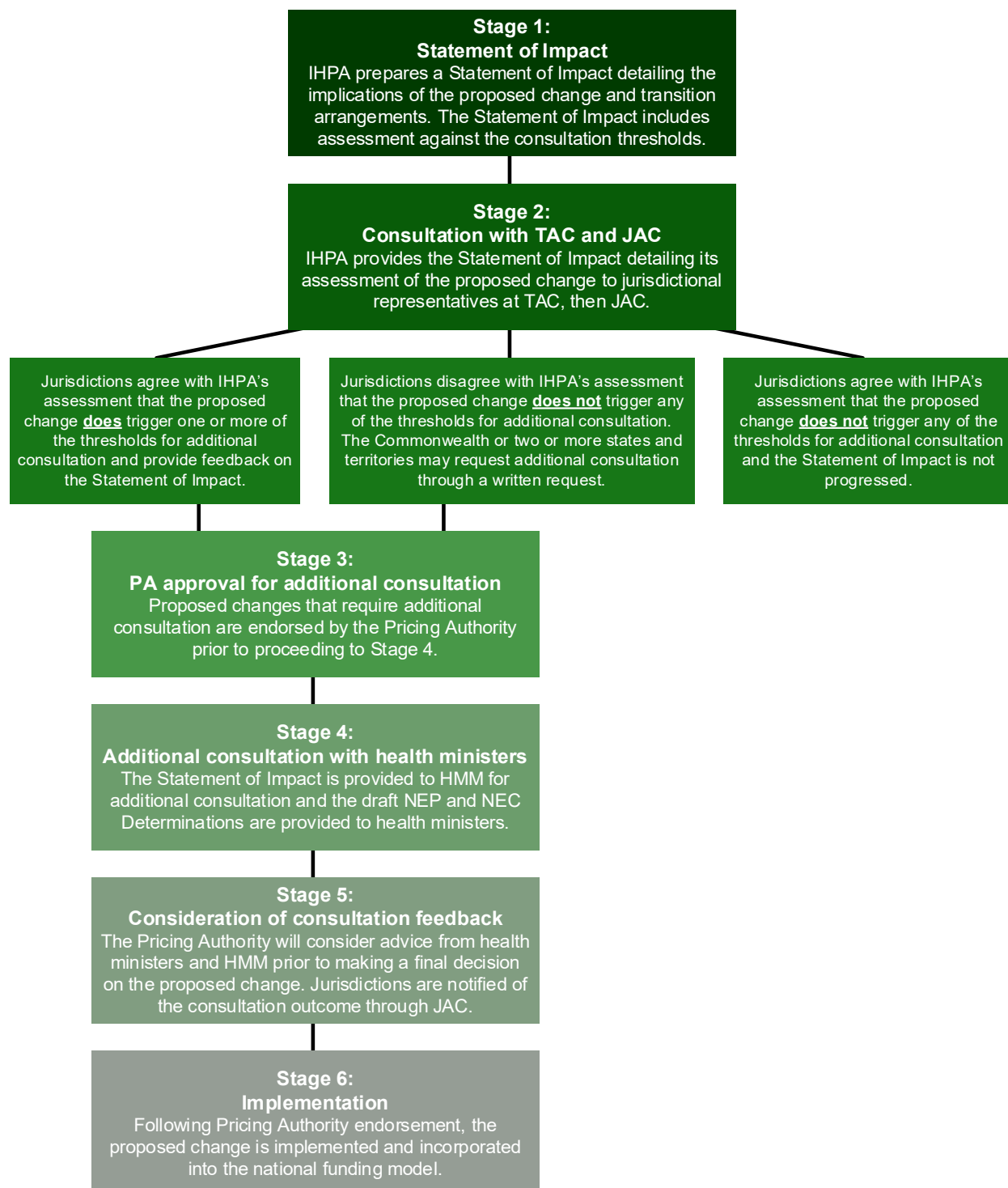
Deliverable	Consultation	Timeline	Detail
Consultation Paper on the Pricing Framework	30-day public consultation period	Commences: June of the current year	Seeks public consultation feedback on major issues and proposed changes to the national funding model for the NEP and NEC Determinations.
		Concludes: July of the current year	
Draft Pricing Framework	45-day ministerial comment period	Commences: September of the current year	Addresses and incorporates stakeholder feedback from the public consultation process.
		Concludes: October of the current year	
Draft NEP and NEC Determinations	Consultation through TAC and JAC	Commences: September of the current year	Provision of Statements of Impact to TAC and JAC for proposed changes to the national funding model.
	45-day ministerial and HMM consultation period	Concludes: January of the following year	Distribution of the Statements of Impact to HMM and draft NEP and NEC Determinations to health ministers.
Final Pricing Framework		Published: December of the current year	Addresses and incorporates feedback from the ministerial consultation process.
Final NEP and NEC Determinations		Published: March of the following year	Addresses and incorporates feedback from the ministerial and HMM consultation process, including endorsed changes to the national funding model.

As part of the draft NEP and NEC Determinations, Statements of Impact are provided to TAC and JAC for all proposed changes to the national funding model in the NEP and NEC Determinations prior to being provided to HMM for additional consultation where required.

Feedback from health ministers on the draft NEP and NEC Determinations and feedback from HMM on the proposed changes outlined in the Statements of Impact will be considered by IHPA prior to publication of the final NEP and NEC Determinations. If no feedback is received from HMM regarding proposed changes outlined in the Statements of Impact at the conclusion of the 45-day consultation period, IHPA will progress the change for implementation as part of the final NEP and NEC Determinations.

Further detail on the consultation process for Statements of Impact for proposed changes to the national funding model is provided at **Figure 1**.

Figure 1. Consultation process for Statements of Impact



4. Statement of Impact

4.1 Statement of Impact

Clause B38 of the Addendum states that IHPA must provide a Statement of Impact to the Parties when material changes or significant transitions are proposed to the national funding model, including changes that will have a major impact on any one party or materially redistribute activity between service streams.

Clause B39 of the Addendum stipulates that the Statement of Impact must be timely in relation to the matter raised and:

- a. include a risk assessment of the proposed changes or adjustments
- b. outline appropriate transition arrangements
- c. be informed by consultation with the Parties; and
- d. have input from the Administrator of the National Health Funding Pool (the Administrator).

IHPA will utilise the Statement of Impact to inform jurisdictions of all proposed changes to the national funding model. A Statement of Impact will be prepared for each proposed change and be provided to jurisdictions through IHPA's TAC, then JAC.

The Statement of Impact form to be utilised by IHPA is provided at [Appendix B](#).

4.2 Overall scope

4.2.1 Materiality of proposed changes

IHPA has developed a set of thresholds to determine what constitutes a material change or a significant transition requiring additional consultation. All proposed changes and adjustments to the national funding model will be assessed against the thresholds to ensure that the pricing process remains reactive and transparent. The proposed changes and adjustments that trigger one or more of the established thresholds will undergo additional consultation.

The thresholds are discussed further in Chapter 5.

4.2.2 Risk assessment

The risk assessment included in the Statement of Impact will assess the benefits and risks associated with the proposed change across different risk categories. IHPA will assess the likelihood of the identified risks occurring and address how the risks will be mitigated and/or managed.

4.2.3 Transition arrangements

The Statement of Impact provides the transition arrangements associated with the proposed change, including whether the change will require shadow pricing. As per clause B39 of the Addendum, a Statement of Impact will also be required for significant transitions, such as proposals to commence shadow pricing.

Further detail on the requirements for transitional arrangements is provided in Chapter 6.

4.2.4 Consultation pathway

The purpose of the Statement of Impact is to inform jurisdictions of all proposed changes to the national funding model. The Statement of Impact includes IHPA's assessment of whether the proposed change triggers the requirement for additional consultation.

If jurisdictions disagree with IHPA's assessment of a proposed change and the necessity of additional consultation, the Statement of Impact provides an avenue for the Commonwealth or two or more states or territories to instigate the pathway for additional consultation. Any requests for additional consultation must be provided in writing from requesting JAC Members.

The consultation process has been outlined in Chapter 3.

4.2.5 Input from the Administrator

The Addendum requires IHPA to consult the Administrator over the content of the Statement of Impact. The Statement of Impact will include input from the Administrator regarding the proposed change.

4.3 Seeking guidance from jurisdictions

All proposed changes and adjustments to the national funding model, even those that do not trigger any of the thresholds for additional consultation, will still see the provision of a Statement of Impact and normal consultative mechanisms through TAC, then JAC.

The Statement of Impact ensures that guidance is sought from the jurisdictions when IHPA proposes changes to the national funding model that will impact the way services are delivered, as stipulated by clause B37 of the Addendum.

Additionally, the Parties may escalate a funding policy issue at any stage to HCEF or HMM for consideration.

5. Threshold for additional consultation

5.1 Requirements under the Addendum

Clause B10 of the Addendum states that given the significance to all Parties of the functions discharged by the national funding bodies, the bodies will undertake additional consultation for changes that materially impact the application of the national funding model.

In fulfilling the intent behind this clause, IHPA has developed a set of thresholds for assessing whether a proposed change is sufficiently material to warrant additional consultation with HMM.

5.2 Thresholds for additional consultation

The thresholds aim to capture proposed changes that represent a significant departure from IHPA's established annual processes or a material impact on the national funding model that requires consultation beyond IHPA's existing consultative mechanisms with the jurisdictions.

As such, each change proposed by IHPA will be assessed against the thresholds to determine if the change is material to require IHPA to initiate additional consultation. This assessment will be included as part of the Statement of Impact and be provided to jurisdictions for each proposed change.

Changes that are assessed to trigger one or more of the thresholds will require additional consultation. Changes that do not meet a threshold for additional consultation will still undergo the normal consultative mechanisms with the jurisdictions through IHPA's JAC and TAC. However, if the Commonwealth or two or more states and territories disagree with IHPA's assessment, the proposed change can be escalated to undergo additional consultation.

The thresholds for IHPA to initiate additional consultation are outlined in **Table 3**.

Table 3. Thresholds for initiating additional consultation

Pricing changes	
Pricing impact on funding projected to be more than 0.5 per cent at a national level. To be assessed separately, not cumulatively, if other changes have been proposed concurrently.	Exceptions: <ul style="list-style-type: none"> Changes that IHPA is directed to implement³.
Pricing impact on funding projected to be more than 2 per cent on any one jurisdiction. To be assessed separately, not cumulatively, if other changes have been proposed concurrently.	

³ Changes arising from a prior arrangement with the jurisdictions, for example under the Addendum where IHPA was directed to implement a pricing model for avoidable hospital readmissions and private patient neutrality.

Costing methodology changes	
Major changes in costing methodologies, for example: <ul style="list-style-type: none">• Introduction of a new version of costing standards (such as the Australian Hospital Patient Costing Standards (AHPCS) Version 4.1.• Introduction of a new standard, business rule or costing guideline within the AHPCS.	Exceptions: <ul style="list-style-type: none">• Nil.
New classifications and structural changes	
All new classifications, for example: <ul style="list-style-type: none">• Introduction of the Australian Emergency Care Classification (AECC) Version 1.0 for pricing.• Introduction of the Australian Mental Health Care Classification (AMHCC) Version 1.0 for pricing.• Replacement of International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Australian Modification (ICD-10-AM), with International Classification of Diseases 11th Revision (ICD-11).	Exceptions: <ul style="list-style-type: none">• Nil.
Major structural change to new versions of an existing classification, for example: <ul style="list-style-type: none">• Implementation of brand new data elements in existing or new versions of classifications that are already collected in the National Minimum Data Set (NMDS) but not currently utilised in the classification.• Implementation of brand new data elements in existing or new versions of classifications that are not already collected within the NMDS.• Implementation of a significantly different episode clinical complexity model (such as the Version 8.0 revision of the clinical complexity model).• Removal of data elements that are currently collected within the NMDS.	Exceptions: <ul style="list-style-type: none">• Moderate changes such as implementation of a new data element that was already collected and only redistributes activity.• Standard refinements undertaken with every revision to ensure the classification maintains clinical currency and cost homogeneity (such as amendments to thresholds of existing variables).
Funding cycle impacts	
Any intended retrospective adjustments to the national funding model prior to the current pricing year.	Exceptions: <ul style="list-style-type: none">• Nil.
Any changes to the national funding model proposed to be made that will impact a state or territory funding cycle mid-year.	
By request	
A request from the Commonwealth or at least two states or territories for the guidance to be sought.	Exceptions: <ul style="list-style-type: none">• Nil.

5.3 Additional consultation with HMM

IHPA's assessment of the proposed change will be detailed in the Statement of Impact provided to jurisdictions through JAC and TAC. Proposed changes that trigger one or more of the thresholds, and therefore are determined to have a material impact on the application of the national funding model, will require additional consultation with HMM. An assessment that a proposed change requires additional consultation does not mean that the change must undergo shadow pricing. Shadow pricing requirements are discussed in Chapter 6.

The consultation process and associated timeframes for proposed changes to the national funding model has been outlined in Chapter 3.

6. Shadow pricing

6.1 Provisions under the Addendum

Clause A42 of the Addendum states that IHPA will use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study. The Addendum requires shadow pricing for a period of two years or a period agreed upon by the Commonwealth and a majority of states and territories to ensure robust data collection and reporting to accurately model the financial and counting impact of changes on the national funding model.

This Chapter provides an outline of the role of shadow pricing for proposed changes to the national funding model. IHPA has defined the criteria and timeframes associated with the use of shadow pricing to provide clear guidance for jurisdictions.

Changes to ABF classification systems and costing methodologies and associated costing studies and shadow pricing projects are usually major undertakings requiring significant resources from IHPA and participating jurisdictions. IHPA will have consideration of the capability of all jurisdictions to contribute data to costing studies and shadow pricing projects in order to ensure that jurisdictions are actively involved in their conduct and the evaluation of outcomes.

6.2 Changes requiring shadow pricing

The requirements of clause B37 of the Addendum must be satisfied before new or changed ABF classifications and new costing methodologies can be introduced. Shadow pricing will be used when significant changes to the national funding model are proposed, as detailed in **Table 4**.

Table 4. Changes requiring shadow pricing

Introduction of new classifications	
Examples: <ul style="list-style-type: none"> • AECC Version 1.0. • AMHCC Version 1.0. • Replacement of ICD-10-AM with ICD-11. 	Exceptions: <ul style="list-style-type: none"> • Where there is an undue financial or administrative burden on jurisdictions (such as dual data collection). • Where agreed through the IHPA JAC.
Major structural change to new versions of existing classifications	
Examples: <ul style="list-style-type: none"> • Implementation of new data elements in existing classification. • Implementation of new data elements that are currently not collected within the NMDS. 	Exceptions: <ul style="list-style-type: none"> • Moderate changes such as implementation of a new data element that was already collected and only redistributes activity. • Standard refinements undertaken with every revision to ensure the classification maintains clinical currency and cost homogeneity (such as amendments to thresholds of existing variables). • Where there is an undue financial or administrative burden on jurisdictions (such as dual data collection). • Where agreed through the IHPA JAC.

6.3 Timeframes for shadow pricing

The IHPA *Shadow Pricing Guidelines* provide guidance for the use of shadow pricing in the development and implementation of changes to classification systems. The *Shadow Pricing Guidelines* establishes guiding principles for commencing shadow pricing, reporting requirements during the shadow pricing period and criteria for progression to pricing.

IHPA has defined when the two-year shadow period will commence, in accordance with clause A42 of the Addendum. The starting point for the two-year shadow period will be the start of the financial year immediately following the Pricing Authority's decision to undertake the shadow pricing project or any other date agreed between IHPA, the Commonwealth and a majority of states and territories.

IHPA has developed a set of circumstances where shadow pricing may not be required for the full two-year period. These are detailed in **Table 5**.

Table 5. Circumstances for proposing a reduced shadow pricing period

Where otherwise dictated by the Addendum or other agreement between jurisdictions	<p>Changes that IHPA is required to implement under the Addendum:</p> <ul style="list-style-type: none"> • avoidable hospital readmissions pricing model • private patient neutrality methodology • trials of innovative funding models.
Where otherwise requested or approved by a majority of jurisdictions	<p>When the following conditions are satisfied:</p> <ul style="list-style-type: none"> • IHPA can provide information and evidence, through the Statement of Impact, that assures jurisdictions with regards to the impact of changes; and • IHPA can reach an agreement with the jurisdictions to shorten the shadow pricing timeframe.
Where it would adversely impact the reactivity and accuracy of pricing of services	<p>Where it represents potentially significant delays in pricing of services, for example:</p> <ul style="list-style-type: none"> • Where shadow pricing for the full two-year period would render the classification outdated prior to its implementation. • Where shadow pricing for the full two-year period would impact the ability of the classification to reflect the most recent cost and activity data.

As per clause A42 of the Addendum, reducing the two-year shadow pricing period for classification system or costing methodology changes or pricing based on a costing study must be agreed upon with the Commonwealth and a majority of states or territories. Proposals for reductions to the two-year shadow pricing period will be discussed by jurisdictional representatives at JAC and TAC meetings, then provided to all health ministers for a 45-day consultation period.

The back-casting of new services and new counting rules, as well as any shadow pricing periods, will be made explicit in each annual determination as well as how back-casting should be applied in the calculation of Commonwealth growth funding. The process that IHPA follows when back-casting the NEP or NEC is outlined in IHPA's *Back-Casting Policy*.

Appendix A: Extracts from the Addendum

Clause	Detail
A42	<p>The IHPA will use transitional arrangements when developing new ABF classification systems or costing methodologies, including shadow pricing classification system changes and pricing based on a costing study, for two years or a period agreed with the Commonwealth and a majority of States to ensure robust data collection and reporting to accurately model the financial and counting impact of changes on the National Funding Model.</p> <ol style="list-style-type: none"> a. Where a jurisdiction participates fully in the shadow pricing, including the provision of the best available data over the shadow period to support the implementation of the new ABF classification systems or costing methodologies, the Parties agree there will be no retrospective adjustments to the National Funding Model, excluding adjustments to Commonwealth contributions as a result of service volume reconciliations as set out in clauses A63, A65 and A73. b. Business rules will be developed by the national bodies in consultation with Parties, addressing significance of changes, process and consultation around retrospective adjustments where appropriate. <ol style="list-style-type: none"> i. If the national bodies consider there is a potential need for a retrospective adjustment to the national funding model, national bodies will communicate, consult and collaborate with Parties. The national bodies will hold a consultation period of 45 days to allow Parties an opportunity to provide submissions on the matter. ii. Within 45 days following the jurisdiction 45-day consultation period, national bodies will prepare a report to the Council of Australian Governments Health Council, advising them of the national bodies' decision and the nature and circumstances of the recommended adjustment to the national funding model. iii. Once the report is provided to the Council of Australian Governments Health Council, the national bodies will incorporate the decision regarding the retrospective adjustment into the national funding model and provide parties with an updated report on funding entitlements from the national model. iv. When providing payment advice to the Commonwealth Treasurer following the six-month or annual reconciliation, the Administrator will include a section that notes any matters or concerns raised by State Ministers in the 45-day consultation period in the formation of that advice.

Clause	Detail
B10	Given the significance to all Parties of the functions discharged by the national funding bodies, the bodies will consult with the Council of Australian Governments Health Council on changes that materially impact the application of the national funding model. Such consultation will be in addition to specific consultation requirements and processes with Parties set out in this Addendum.
B13	The Commonwealth or two or more States may request that the national funding bodies present for Health Ministers' consideration a final or draft business rule, decision or determination that affects the national funding model or the calculation of the Commonwealth funding contribution. Such consultation will be in addition to specific consultation requirements and processes set out in the Addendum, and provide no less than 45 days for response by Health Ministers.
B14	As per clause A42, National Bodies will develop business rules related to process and consultation related to retrospective adjustments, for consideration and unanimous agreement by the Council of Australian Governments Health Council, by April 2021.
B15	National Bodies will formally consult with Parties on the development of business rules and policies as per clause A42.
B37	The IHPA must seek guidance from Parties, through the IHPA Jurisdictional Advisory Committee, when implementing changes to the national funding model that will impact the way services are delivered. Parties may escalate a funding policy issue to the Health Services Principal Committee, the Australian Health Ministers' Advisory Council or the Council of Australian Governments Health Council for consideration.
B38	The IHPA must provide a Statement of Impact to Parties when material changes or significant transitions are proposed to the national funding model, including changes that will have a major impact on any one party or materially redistribute activity between service streams.
B39	The Statement of Impact must be timely in relation to the matter raised and: <ul style="list-style-type: none"> a. include a risk assessment of the proposed changes or adjustments; b. outline appropriate transition arrangements; c. be informed by consultation with the Parties; and d. have input from the Administrator.
B40	The IHPA will provide the Australian Health Ministers' Advisory Council with a clear understanding of IHPA's processes, governance arrangements and its committees on national funding model matters.

Appendix B: Statement of Impact

Statement of Impact – National Pricing Model Consultation Policy	
This assessment is prepared using the most recently available cost and activity data.	
Proposed change	
For example, the introduction of a new classification for pricing.	
Detailed summary of proposed change	
Proposed implementation timeframe	
For example, proposed for implementation from 1 July 2022.	
Date of assessment	
Initial assessment date:	
Final assessment date:	
Date of provision to jurisdictions	
RISK ASSESSMENT	
Benefits associated with proposed change	
For example, the new classification is more suitable for the patient service category.	
Identified risks associated with proposed change	
<ol style="list-style-type: none"> 1. 2. 3. 	

Identified risk #1				
Risk associated with proposed change				
Risk category	For example, administrative risk or funding risk.			
Risk description				
Risk mitigation and/or management				
Risk rating (evaluated using the matrix at Attachment A)	Likelihood	Consequence	Overall rating	
Identified risk #2				
Risk associated with proposed change				
Risk category	For example, administrative risk or funding risk.			
Risk description				
Risk mitigation and/or management				
Risk rating (evaluated using the matrix at Attachment A)	Likelihood	Consequence	Overall rating	
Identified risk #3				
Risk associated with proposed change				
Risk category	For example, administrative risk or funding risk.			
Risk description				
Risk mitigation and/or management				
Risk rating (evaluated using the matrix at Attachment A)	Likelihood	Consequence	Overall rating	
Risk assessment outcome (accept/decline)				

TRANSITION REQUIREMENTS		
How long has the proposed change been in development?		
Has a costing study been undertaken?		
Shadow pricing arrangements		
BACK-CASTING REQUIREMENTS		
Is back-casting required for the proposed change?		
INPUT FROM THE ADMINISTRATOR		
Has input been sought from the Administrator?		
Advice from the Administrator		
ASSESSMENT AGAINST CONSULTATION THRESHOLDS		
Consultation threshold	Y/N	Comments
Pricing impact on funding projected to be more than 0.5 per cent at a national level		
Pricing impact on funding projected to be more than 2 per cent on any one jurisdiction		
Major change in costing methodology		
New classification		
Major structural change to new versions of an existing classification		

Intended retrospective adjustments to the national funding model prior to the current pricing year		
Change to the national funding model proposed to be made that will impact a state or territory funding cycle mid-year		
Request from Commonwealth or at least two states or territories for the guidance to be sought		
CONSULTATION PATHWAY		
Does the proposed change trigger one or more of the consultation thresholds?		
Is additional consultation required?		
Feedback from jurisdictions		
<ul style="list-style-type: none"> Feedback on the Statement of Impact received through JAC and TAC, and assessment of whether the proposed change requires additional consultation 		

Attachment A

Risk assessment matrix and assessment criteria

Risk assessment matrix

		Consequence			
		Minor	Moderate	Major	Severe
Likelihood	Almost certain	Medium	High	Extreme	Extreme
	Likely	Medium	High	High	Extreme
	Unlikely	Low	Medium	High	High
	Rare	Low	Low	Medium	Medium

Assessment criteria: likelihood of risk occurrence

Likelihood	Description of likelihood
Rare	Risk is an unusual event that would only occur in exceptional circumstances
Unlikely	Risk is an unusual event but could occur in some circumstances
Likely	Risk would be expected to occur in some routine circumstances
Almost certain	Risk would occur in routine circumstances

Assessment criteria: consequences associated with risk

Consequence	Description of consequence
Minor	Risk represents minimal funding impacts (less than the thresholds of 0.5 per cent nationally and 2 per cent on any one jurisdiction) or administrative impacts on the delivery of IHPA's pricing functions, though some aspects of delivery may require minor adjustment
Moderate	Risk represents moderate funding impacts (equal to the thresholds of 0.5 per cent nationally and 2 per cent on any one jurisdiction) or administrative impacts on the delivery of IHPA's pricing functions
Major	Risk represents major funding impacts (thresholds of up to 5 per cent nationally and 20 per cent on any one jurisdiction) or administrative impacts on the delivery of IHPA's pricing functions
Severe	Risk would prevent the delivery of IHPA's pricing functions due to funding impacts (thresholds of greater than 5 per cent nationally and 20 per cent on any one jurisdiction) or administrative impacts

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