Government of **Western Australia**
Department of **Health**

Your Ref: D22-4096
Our Ref: F-AA-78722-279

Ms Joanne Fitzgerald
Acting Chief Executive Officer
Independent Hospital Pricing Authority
PO Box 483
DARLINGHURST NSW 1300

Via email: Joanne.fitzgerald@ihpa.gov.au

Dear Ms Fitzgerald

ROUND 25 (2020-21) NATIONAL HOSPITAL COST DATA COLLECTION DATA QUALITY STATEMENT AND INDEPENDENT FINANCIAL REVIEW

I refer to your letter dated 11 April 2022 regarding the provision of a Data Quality Statement (DQS) to accompany the jurisdictional submission for Round 25 and participation in the Round 25 (2020-21) National Hospital Cost Data Collection (NHCDC) Independent Financial Review (IFR).

The WA Department of Health (the Department) has produced a DQS to be published in the Round 25 Cost Report in order to assist users of the document to understand the quality of the data submitted. The DQS incorporates a signed declaration that confirms WA has adhered to the Australian Hospital Patient Costing Standards (AHPCS) in producing the Round 25 NHCDC submission.

The Department agrees to participate in the IFR, with the selection of sample sites to be determined in consultation with the Independent Hospital Pricing Authority (IHPA) and the selected supplier (KPMG). The Department notes that virtual workshops will replace site visits for the Round 25 IFR and are expected to commence in May 2022 and be completed by August 2022. The Department will ensure that full cooperation and assistance will be provided to KPMG and IHPA throughout this process.

The contact representative for the Department is Mr Kevin Frost, who can be contacted via email at kevin.frost@health.wa.gov.au or telephone on (08) 6373 1842.

Yours sincerely

Dr D J Russell-Weisz
DIRECTOR GENERAL

27 April 2022

Att. 2020-21 Data Quality Statement for Western Australia

189 Royal Street East Perth Western Australia 6004
Telephone (08) 9222 4222 TTY 133 677
PO Box 8172 Perth Business Centre Western Australia 6849
ABN 28 684 750 332
www.health.wa.gov.au

2020-21 Data Quality Statement for Western Australia

1. Overview of costing environment

1.1 Who undertakes patient costing in your jurisdiction?

Patient costing is undertaken by Costing Teams at a Health Service Provider (HSP)/ Local Health Network (LHN) level. WA's Round 25 NHCDC submission was based on the individual submissions from the five HSPs. This cost data was completed in compliance with the Australian Hospital Patient Costing Standards (AHPCS) version 4.1 and reconciles to each HSP's audited financial statements. Data submissions were extensively reviewed by the HSPs, prior to official sign off and submission to the Department. Reconciliation statements were supplied for each site.

On submission to the Department, the HSP costs were further tested and reconciled, with HSPs making further refinements if required. The Department then made adjustments to the data including incorporating Work in Progress (WIP) from previous rounds, limiting the data to ABF in-scope costs, and transforming the data in accordance with the IHPA specifications. Data matching and validation also occurred to ensure the costed data sets aligned with the activity data submitted to IHPA for other patient collections.

1.2 How often is costing undertaken?

Costing is undertaken annually for the NHCDC submission but HSPs will generally undertake quarterly costing in order to meet their individual requirements.

1.3 Which costing systems are in use?

All WA costing is conducted using a single instance of the Power Performance Management 2 patient costing system.

1.4 Is there any jurisdiction-wide training/support for costing practitioners? If so, provide details.

There is a network of Costing staff within WA Health with representation from the HSPs, the Department and Health Support Services (HSS) who administer and provide technical support for the clinical costing system. Representatives of these groups meet regularly as part of a Business User Group, and intermittently as the WA Clinical Costing Standards Committee (WACCSC). Furthermore, training and support is undertaken at, or across individual HSP costing units depending on levels of staffing.

1.5 Provide details of any changes from previous year specifically details of improvements in costing process and methodology.

A key change has been the formalisation of a suite of quality assurance checks that HSPs are required to conduct and sign off on prior to submitting the data to the Department.

WA has not had any other major changes in the overall costing process however work has been ongoing at both HSP and Departmental levels in terms of enhancing

data quality and standardisation.

2. Submitted cost data

2.1 How many hospitals provided cost data for the Round 25 NHCDC? Provide details about the number of submitting facilities and the changes from prior year (state movement in number of facilities and costs submitted)

WA contributed patient level data for 36 public hospital sites, from five HSPs, for Round 25 (2020-21) of the NHCDC. All hospitals that are considered in scope for Activity Based Funding are currently part of the NHCDC submission for WA.

2.2 Provide explanation of costed results with explanation of significant movements from prior year.

Costs submitted to NHCDC in Round 25 were $5,777,003,152 which represents a 6% increase from the Round 24 submission of $5,424,501,560. These total cost increases correspond with state wide activity increases across Inpatient, Emergency and Outpatient products.

2.3 Are there any significant factors which influence the jurisdiction's Round 25 cost data (i.e. jurisdiction wide admission policies, etc). If so, what is the impact on costed output?

The COVID-19 pandemic significantly impacted jurisdictional activity and cost data in Round 24 and has continued to have an influence on Round 25. WA HSPs reverted to undertaking costing for the entire reference year following the Round 24 practice of splitting the year into an eight month Pre-COVID-19 exercise followed by a four month costing after the onset of COVID-19. Hospital practices and activity profiles continued to be influenced by COVID-19 in 2020-21 and the costing results will reflect this. There have not been any other significant factors impacting Round 25.

2.4 At a jurisdiction level, did you experience any challenges with costing of specific products in Round 25?

WA has continued costing for mental health at the phase of care level. This process has not fully matured and costs were submitted to IHPA at an episode level with a view to reporting at phase level for Round 26. The cost of blood products is not included in the WA submission. Work is ongoing with the aim of being able to include blood product costs in future rounds.

Cost for ancillary services including pharmacy, pathology and imaging that were not able to be matched or linked in the activity matching process have been excluded from the Round 25 submission.

2.5 Describe the quality assurance tests undertaken on the patient cost data.

Each of the HSPs undertake a range of review and assurance measures in the data preparation process, which have several layers of engagement including Finance and Business Officers, hospital based Clinical and Business managers, and HSP level Finance officers and Directors.

Inputs into the costing cycle such as patient fractions and feeder systems, and preliminary results are reviewed by the Costing Teams in conjunction with Finance and Business Officers on a regular basis.

The HSPs also undertake a rigorous quality assurance process prior to submitting their costed data. While no HSPs share identical regimens, there is a high degree of commonality in reviews undertaken and data testing. Each HSP has also developed their own applications to create visualisations and dashboards to aid analysis and benchmarking of results.

From Round 25, the Department has introduced a suite of quality assurance tests that the HSP's undertake prior to delivering their data. These tests, as well as a central financial reconciliation to the Audited Financial Statements, are signed off at Chief Financial Officer/Executive Director level for each HSP, and submitted to the Department as part of their NHCDC submission.

Conducting further testing at an HSP level serves to streamline the submission process. The Department continues to test the integrity of the data submitted, and reviews and measures hospital, HSP and state-wide trends and changes across rounds.

3. Adherence to the Australian Hospital Patient Costing Standards

3.1 **Describe the level of compliance against the Australian Hospital Patient Costing Standards – at the hospital and jurisdiction level.**

The WA Round 25 NHCDC submission has been prepared in adherence with the Australian Hospital Patient Costing Standards (AHPCS) version 4.1. This statement is qualified by the exceptions below.

3.2 **State any exceptions to AHPCS and explanations.**

WA is not fully compliant with the costing guidelines for Teaching and Research as they are currently calculated utilising an established local methodology. The costs are assigned at a patient level but withheld from the annual submission to IHPA.

WA does not include the costs of blood products.

3.3 **Provide details of any specific areas of deviation from the AHPCS and describe the alternative treatment used.**

See above.

4. Governance and use of cost data

4.1 How is public hospital patient cost data used at the hospital/district or network and jurisdiction level?

Each HSP makes the costing data available to relevant users predominantly utilising their own internally developed cost/performance applications. These consolidate costing and funding information which enables a wide range of benchmarking and performance evaluation both within and across sites.

Local and national costing data are also used at a jurisdictional level for a variety of purposes including as an input into benchmarking exercises, development of contracts, business cases and research projects.

4.2 Do the LHNs or Jurisdiction submit patient cost data to any other jurisdictional or national collections? If so, provide details.

WA HSPs submit patient cost data to Children's Healthcare Australasia (CHA), Women's Healthcare Australasia (WHA), Health Roundtable and AIHW Public Health Expenditure (PHE).

4.3 In terms of costing practices, what is the level of consistency and standardisation across the jurisdiction?

There is an increasingly high level of consistency and standardisation in costing practice across WA which is enhanced by the two working committees in which representatives of all HSPs and the Department work towards developing uniform practices and common understanding of local and national costing issues. Utilisation of a common Chart of Accounts, a single state wide instance of PPM, and single sources of data for components such as pathology all contribute towards the standardisation of WA Costing.

WA costing is also supported by tools such as the WA Costing Guidelines publication and the "Clinical Costing QA and Reasonability" application that demonstrates that costing methodologies work as intended. Prior round costing audits also feed into the local processes helping achieve consistency.

4.4 What is the process for review and approval the data before submission to NHCDC?

WA HSPs conduct extensive quality assurance checks throughout the submission preparation process to ensure their cost data is valid, reliable and fit for purpose. In addition to the patient level costing submission, the HSPs provide detailed reconciliations to the source financial data. The data is also reviewed by relevant hospital and HSP staff prior to being endorsed at the HSP CFO and Executive Director levels. The HSP submissions undergo further review at the Departmental level and the data is transformed into the NHCDC specification format and delivered to IHPA.

5. COVID-19

5.1Provide details of the compliance to the COVID-19 Response – Costing and pricing guidelines

WA has complied with the COVID-19 Response – Costing and pricing guidelines and the Australian Hospital Patient Costing Standards in preparing the Round 25 NHCDC submission. Throughout Rounds 24 and 25, WA has participated fully in the COVID-19 workshops and discussions, and completed all questionnaires examining the identification and costing of COVID-19 activity and products.

Declaration

All data provided by Western Australia to Round 25 (2020-21) of the National Hospital Cost Data Collection (NHCDC) submitted to the Independent Hospital Pricing Authority has been prepared in adherence with the Australian Hospital Patient Costing Standards (AHPCS) Version 4.1 as described in Section 3 of this statement.

Data provided to this submission has been reviewed for adherence to the AHPCS Version 4.1 and is complete and free of known material errors.

Section 3 provides details of any qualifications to our adherence to the AHPCS Version 4.1.

Assurance is given that to the best of my knowledge the data provided are suitable to be used for the primary purpose of the NHCDC, which includes development of the National Efficient Price.

Signed:

Dr D J Russell-Weisz
DIRECTOR GENERAL

27 April 2022