# A National Perspective on Activity Based Funding and Palliative Care

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Palliative Care Services and ABF: From National Perspectives to Local Implementation,
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## A quick reminder of recent history

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# Core design features of the National Health Reform Agreement (NHRA)

Signed by COAG 31 July 2011

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## Brave new world

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- Health system splits into 5
  - Hospitals - State responsibility
    - Commonwealth to contribute its share on an activity basis
  - Private sector primary care - Commonwealth responsibility
  - "Aged care" including Home and Community Care (HACC) for people 65 years and over - Commonwealth
    - except Victoria and Western Australia
  - Disability services - State responsibility
    - All disability, HACC and residential care for people less than 65 years
  - Community health, population health and public health - State responsibility

## New entities

- National
  - Independent Hospital Pricing Authority (IHPA)
  - National Health Performance Authority (NHPA)
  - National Health Funding Pool
    - Reserve bank accounts (one for each state and territory) with an independent administrator
- State
  - Ongoing reorganisations of most departments
- Local
  - Local Hospital Networks (LHN)
    - Local Health Districts in NSW, Hospitals and Health Services in Qld etc
  - 'Medicare Locals'

## Commonwealth Premise

- Hospitals - big white buildings surrounded by a fence
- Everything outside the fence is either 'primary care' or 'aged care' or a 'disability service'
  - no terms defined
- Specialist services outside the fence (public and private) not adequately recognised in original agreement
  - but IHPA has gone a long way to addressing this since

# Hospitals

The centre of the health reform

- creating perverse incentives for some very regressive thinking!

# Commonwealth and State joint responsibilities

- Funding public hospital services
  - using Activity Based Funding (ABF) where practicable and block funding in other cases
- Nationally consistent standards for healthcare and performance reporting
- Collecting and providing comparable and transparent data

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# Commonwealth role from 2012

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- Pay a 'national efficient price' for every public hospital service
  - Funding at current levels (around 38%) until 2014
  - 2014-2017 - fund 45% of efficient growth in public hospitals
  - 2017 on - fund 50% of efficient growth in public hospitals
    - Commonwealth will never get back to 50% of total hospital funding
    - Current estimate is that Cw contribution will be about 44% in 2030
- Fund States (and through them LHNs) a contribution for:
  - teaching, training and research
  - block funding for small public hospitals
- Agreement has detailed arrangements for defining a 'hospital' service that the Commonwealth will partly fund

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# Scope of Commonwealth funding

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- Hospital services provided to both public and private patients in a range of settings (including at home) and funded either:
  - on an activity basis or
  - through block grants, including in rural and regional communities;
- teaching and training undertaken in public hospitals or other organisations (such as universities and training providers)
- research funded by States undertaken in public hospitals and
- public health activities managed by States

- From 1 July 2012 funding to be "provided on an ABF basis wherever possible"

## State responsibilities

- Management of public hospitals, including:
  - hospital service planning
  - purchasing services from LHNs
  - planning, funding and delivering capital
  - planning, funding (with the Commonwealth) and delivering teaching, training and research
  - managing Local Hospital Network performance
- Lead role in public health
- Management and 100% funding of community health and public sector primary care

## Activity Based Funding

Also known as ‘casemix’ funding

## IHPA role

- Define activity units and set the price that the Commonwealth will pay for a unit of activity (National Weighted Activity Unit - NWAU)
- IHPA determines the price paid to States (via LHNs)
- IHPA does not determine the price paid by a state or territory to an LHN or hospital
  - Although states and territories are free to adopt the IHPA price if they want
- IHPA does not determine the funding for individual palliative care services

## "National efficient price"

- Five different classifications for different streams of activity:
  - acute admitted
  - emergency department
  - subacute (including palliative care)
  - outpatient services
  - mental health
- One 'national efficient price' for a 'national weighted activity unit' (cost weight)
- Cost weights equalised across classifications

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# National ABF activity classifications

- Acute - AR-DRG
- Subacute and non-acute - AN-SNAP
- ED - Urgency Related Groups - URGs or Urgency Disposition Groups - UDGs
- Outpatients and community care - Tier 2 outpatient clinic list of Service Events
- Mental health – new classification to be developed
- Teaching and research – block funded for now

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# Calculation of Efficient Price

- Based on the “cost of the efficient delivery of public hospital services”
- Adjusted for ‘legitimate and unavoidable variations in wage costs and other inputs which affect the costs of service delivery, including:
  - hospital type and size
  - hospital location, including regional and remote status and
  - patient complexity, including Indigenous status’

# AN-SNAP

Australian National Subacute and Non-Acute Patient classification

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## Scope

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- Care in which diagnosis is not the main cost driver
- Subacute Care
  - enhancement of quality of life and/or functional status
- Non-Acute Care
  - supportive care where goal is maintenance of current health status if possible

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# AN-SNAP

- Current version is V3, developed 2012
- Work to develop V4 is just beginning
  - Plan is to complete in 2014 and implement nationally on 1 July 2015
  - V4 being developed by Centre for Health Service Development (UoW) led by A/Prof Rob Gordon and A/Prof Janette Green with A/Prof Richard Chye participating as a member of the team
  - Multiple consultations in planning seeking ideas for incorporation in V4

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# *Key Cost Drivers - 1*

- *Case Type* - characteristics of the person and the goal of treatment
- ***function*** (motor and cognition) - all Case Types
- *phase* (stage of illness) - palliative care
- *impairment* - rehabilitation
- *behaviour* - psychogeriatric
- *age* - palliative care, rehab, GEM and maintenance

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# *Key Cost Drivers - 2*

*There are additional cost drivers in ambulatory care:*

- *problem severity* - palliative care
- *phase* - psychogeriatric
- *usage of other health and community services*

and probably:

- availability of Carer
- instrumental ADLs (eg. medication management, food preparation)

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# AN-SNAP

- Version 1 developed in 1996, Version 2 in 2007, Version 3 in 2012
- Based on a study of 30,057 episodes in 104 services in Australia and New Zealand
- 150 classes in the current version:

| Care Type | Ambulatory | Inpatient | Total |
|---|---|---|---|
| GEM | 8 | 7 | 15 |
| Maintenance | 16 | 11 | 27 |
| Palliative Care | 22 | 12 | 34 |
| Psychogeriatric | 7 | 7 | 14 |
| Rehabilitation | 15 | 45 | 60 |
| Grand Total | 68 | 82 | 150 |

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# AN-SNAP v2 & v3
# palliative care inpatient classes

| ClassNo | Description |
|---|---|
| S2-101 | Assessment only |
| S2-102 | Stable, RUG-ADL 4 |
| S2-103 | Stable, RUG-ADL 5-17 |
| S2-104 | Stable, RUG-ADL 18 |
| S2-105 | Unstable, RUG-ADL 4-17 |
| S2-106 | Unstable, RUG-ADL 18 |
| S2-107 | Deteriorating, RUG-ADL 4-14 |
| S2-108 | Deteriorating, RUG-ADL 15-18, age <=52 |
| S2-109 | Deteriorating, RUG-ADL 15-18, age >=53 |
| S2-110 | Terminal, RUG-ADL 4-16 |
| S2-111 | Terminal, RUG-ADL 17-18 |
| S2-112 | Bereavement |

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## Ambulatory classes v1-v3

| | |
|---|---|
| 151 | Medical only |
| 152 | Therapies only |
| 153 | Stable, Multidisciplinary |
| 154 | Stable, Nursing only, severity <10, RUG 4, age 66+ |
| 155 | Stable, Nursing only, severity <10, RUG 4, age <=65 |
| 156 | Stable, Nursing only, severity <10, RUG 5-18 |
| 157 | Stable, Nursing only, severity 11+ |
| 158 | Unstable, Multidisciplinary, RUG 4, severity=<11 |
| 159 | Unstable, Multidisciplinary, RUG 4, severity 12+ |
| 160 | Unstable, Multidisciplinary, RUG 5-18 |
| 161 | Unstable, Nursing only, RUG<=14, age 60+ |
| 162 | Unstable, Nursing only, RUG<=14, age <=59 |
| 163 | Unstable, Nursing only, RUG 15+ |
| 164 | Deteriorating, Multidisciplinary, severity <10 |
| 165 | Deteriorating, Multidisciplinary, severity 11+, RUG<=10 |
| 166 | Deteriorating, Multidisciplinary, severity 11+, RUG 11+ |
| 167 | Deteriorating, Nursing only, RUG 4 |
| 168 | Deteriorating, Nursing only, RUG 5-18 |
| 169 | Terminal, Multidisciplinary |
| 170 | Terminal, Nursing only |
| 171 | Bereavement, age >45 |
| 172 | Bereavement, age <44 |

# Future possibilities

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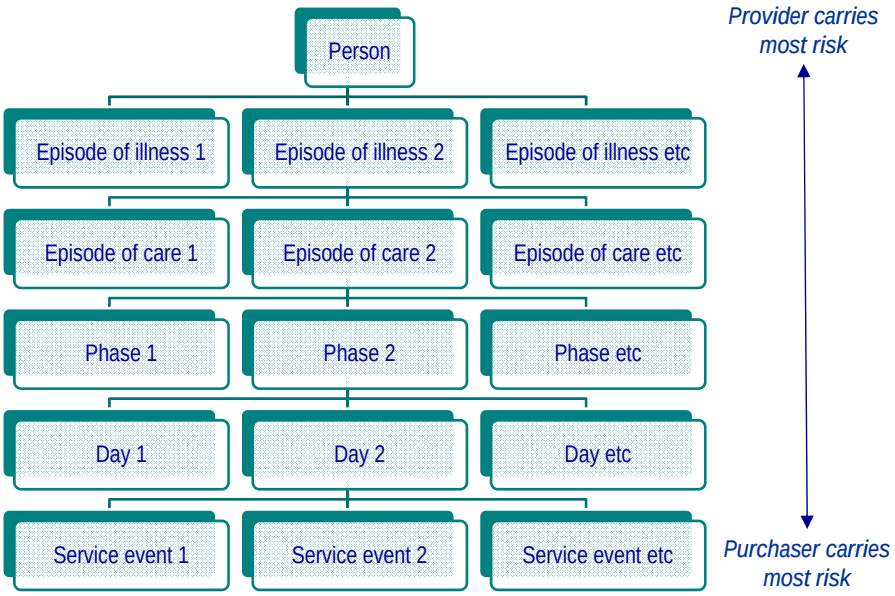
## Cost drivers

- Need to distinguish between the **classification**, the **funding model** and the **price**
- Are additional **classification** variables required to better explain differences between **patients**?
- How to classify paediatric palliative care?
- Does the IHPA need to take account of any additional factors to better explain legitimate **cost** differences between **providers** and use this information in **pricing**?

# Non-admitted palliative care

- IHPA is 'agnostic' about both setting and provider:
  - No distinction between palliative care provided at home, in an outpatient clinic or in a day hospital
- How to classify 'same day admitted' care?
  - IHPA classifies as inpatient, AN-SNAP as ambulatory
- What unit of counting?
  - AN-SNAP is by palliative care phase
  - Tier 2 is by Service Event



## Other future developments?

- New models of care?
  - Consultation liaison?
- Price for quality and outcomes, not based on current average cost?
  - Pay for Performance (P4P)?
- How to deal with gaming?
  - Manipulating your data so patients are assigned to higher-paying classes
  - This is not in the interests of quality care
  - How do we get the message through?

## Want to know more?

- http://ahsri.uow.edu.au/chsd/abf/index.html
  - ABF Information Series No. 1. What is activity-based funding?
  - ABF Information Series No. 2. The special case of smaller and regional hospitals
  - ABF Information Series No. 3. Lessons from the USA
  - ABF Information Series No. 4. The cost of public hospitals - which State or Territory is the most efficient?
  - ABF Information Series No. 5. Counting acute inpatient care
  - ABF Information Series No. 6. Subacute care.
  - ABF Information Series No. 7. Research and training
  - ABF Information Series No. 8. Mental health
- http://www.ihpa.gov.au