



Direction to the Independent Hospital Pricing Authority on the performance of its functions under section 226 of the *National Health Reform Act 2011* - No. 1/2017

I, GREG HUNT, Minister for Health, acting under subsection 226(1) of the *National Health Reform Act 2011* (the Act), having consulted with the Standing Council on Health, DIRECT the Independent Hospital Pricing Authority to undertake the actions and provide the advice set out in Item 1 of the Schedule to this instrument.

Dated: 24 August 2017

GREG HUNT
Minister for Health

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Part 1 Preliminary

1. Name of Direction

This Instrument is the *Direction to the Independent Hospital Pricing Authority on the performance of its functions under section 226 of the National Health Reform Act 2011 - No. 1/2017*.

2. Commencement

This Direction commences on the day after it is registered on the Federal Register of Legislation.

3. Authority

This Direction is made under subsection 226(1) of the *National Health Reform Act 2011*.

4. Definitions

In this Direction:

10.19 Ventilation – home delivered means the category of non-admitted care clinic that provides the service of ventilation that is self-administered by the patient or the patient’s carer, as described in the Independent Hospital Pricing Authority’s *Tier 2 Non-Admitted Services Definitions Manual 2016-17 – version 4.1*, as in force on the day this Direction commences.

Act means the *National Health Reform Act 2011*.

activity based funding has the same meaning as in Appendix A of the *National Health Reform Agreement*, as in force on the day this Direction commences.

activity based funding service categories means the five service categories reported on by the Administrator of the National Health Funding Pool for activity based funding purposes, which are acute admitted, admitted mental health, sub-acute, emergency department, and non-admitted.

block funding has the same meaning as in Appendix A of the *National Health Reform Agreement*, as in force on the day this Direction commences.

efficient growth has the meaning given by clause A3 of Schedule A to the *National Health Reform Agreement*, as in force on the day this Direction commences.

national efficient price has the same meaning as in Appendix A of the *National Health Reform Agreement*, as in force on the day this Direction commences.

non-admitted care clinic means the Tier 2 non-admitted services described in the Independent Hospital Pricing Authority's *Tier 2 Non-Admitted Services Definitions Manual 2016-17 – version 4.1*, as in force on the day this Direction commences.

non-admitted service event means an interaction between one or more health care providers with one non-admitted patient, which must contain therapeutic or clinical content and result in a dated entry in the patient's medical record.

temporal bundling means the count of non-admitted service events delivered that are aggregated or bundled as monthly counts.

5. Schedule

The Schedule to this Instrument describes the direction given to the Independent Hospital Pricing Authority on the performance of its functions and exercise of its powers.

Schedule

1. Functions

- (i) The Independent Hospital Pricing Authority, in relation to its functions under paragraphs 131(1)(c) and (n) of the Act must take steps to ensure that changes introduced to classification systems or costing methodologies across all activity based funding service categories are effectively back-cast for the purposes of clause A40 of Schedule A to the *National Health Reform Agreement*, to negate any unintended impact on the calculation of efficient growth for funding purposes.
- (ii) The Independent Hospital Pricing Authority, in relation to its functions under paragraphs 131(1)(c) and (n) of the Act, must take steps to ensure that the introduction of changes in the non-admitted service category that occurred in the 2014-15 and 2015-16 financial years, including changes in scope, funding type and counting methodologies, do not have an unintended impact on the calculation of efficient growth for the 2015-16 financial year.
 - (a) In undertaking Item 1(ii), the Independent Hospital Pricing Authority must review and take any necessary steps to address anomalies in the calculation of efficient growth that have occurred as a result of:
 - a. the transfer of non-admitted care clinics from block funding arrangements to activity based funding arrangements;
 - b. the change in counting methodology from counting every non-admitted service event to temporal bundling; and
 - c. scope changes for non-admitted care clinics, including the expanded scope of 10.19 Ventilation – home delivered to include patients who are dependent on ventilation at night and who without ventilation support would be at risk of imminent hospitalisation.
 - (b) In undertaking Item 1(ii), the Independent Hospital Pricing Authority may consider development of a methodology, or methodologies, for the Administrator of the National Health Funding Pool to consider in calculating the final funding entitlement for the 2015-16 financial year.
- (iii) The Independent Hospital Pricing Authority, in relation to its functions under paragraphs 131(1)(e), (h) and (n) of the Act, must undertake a review and provide advice on the impact of the data reporting practices utilised in Western Australia for the non-admitted service category.
 - (a) In undertaking Item 1(iii), the Independent Hospital Pricing Authority is to review the practice in Western Australia of using a mix of patient and aggregate level data at a hospital for funding purposes, including whether there is potential for duplicate payments under this arrangement.

- (iv) The Independent Hospital Pricing Authority must advise on its reviews and any actions taken to resolve issues as referred to in Item 1(i), (ii) and (iii) to the Commonwealth, States and Territories by 13 October 2017.