

Throughput Coding and Operation of the Variable Payment Arrangements

1. PURPOSE

This circular provides clarification and advice as to the procedures being established for the operation of the variable payments arrangements under casemix funding, including the operation of the additional throughput pool for 1993/94. These procedures are based on the principles established by Health Service Agreements, Conditions of Funding and previous Departmental Circulars.

The total funds available are capped and strict adherence to the timelines set out here will ensure hospitals receive accurate payments for services provided. Deficits or surpluses in the quarterly throughput pool and the base variable payments will be carried forward to future additional throughput pools with a consequent effect on the 1994/95 reimbursement rates.

2. PRINCIPLES ON WHICH VARIABLE PAYMENT ARRANGEMENTS ARE BASED:

The Health Service Agreement with each hospital in receipt of casemix funding specifies

"B 2.3 The hospital will receive \$800 for each weighted inlier equivalent separation up to the number of weighted cases in any quarter ("the base amount") with any weighted cases above that amount being funded through additional throughput pool arrangements."

"B 2.4 The hospital will receive \$300 for each weighted inlier equivalent separation of public patients for medical costs."

"B 2.8.1 Cash flow for the hospital for variable payments for the months of July, August and September will be based on the expectations outlined above (i.e. the base Weighted Inlier Equivalent Separation specified in B 2.3). Cash flow for remaining months will be based on the forecasts adjusted for actual experience of the hospital on a year-to-date basis."

The Conditions of Funding state that

"2.8.2 (d) For a hospital where the proportion of outlier beddays to total beddays is markedly above the group median, outlier days above the median proportion shall be counted as 0.5 of an outlier day, and the outlier day fraction discounted accordingly. Where a group of hospitals is markedly different from a similar group, a discount will apply to all hospitals in the group, with a proportion above the comparison group median."

"2.8.4(g) Notwithstanding the additional throughput pool provisions, a hospital will not be eligible to receive a payment from the additional throughput pool in the March or June quarter 1994 if it has any category 1 patients on its waiting list who, at the commencement of the quarter, has been waiting for treatment for more than 30 days or, for the June quarter 1994, any category 2 waiting list patient waiting more than 90 days."

"2.19.1 The hospital will transmit data to the Victorian Inpatient Minimum Database (VIMD) collection via PRS or PRS/2 according to the following schedule:

- (a) admission and separation details in any month transmitted within 14 days of the end of the month;
- (b) diagnosis and procedure details in any month to be transmitted within one month and 21 days of the end of the month;

"2.19.2 All payments to hospitals which involve calculation based on activity levels, including calculation of weighted inlier equivalent separation will, be based on data held in the VIMD, except for nursing home type days which will be based on the data provided in monthly returns (AIMS Form 306/S1) to the Department."

In addition Circular 35/93, regarding 1993/94 funding arrangements, states:

"21. In allocating the additional throughput pool, separations which have not been coded according to the timelines in the Conditions of Funding will be allocated a weight of zero. However where these cases are subsequently coded, they will be funded in subsequent periods at half the rate prevailing for the quarter in which the separation occurred. This provides a continuing incentive for hospitals to complete their coding."

Circular 52/93 advises that the full marginal rate of \$800 will be paid for all 1993/94 additional throughput pool separations. This advice supersedes the provisions of the Conditions of Funding which describe the determination of a variable rate dependent on total "additional throughput" in any quarter.

3. THROUGHPUT CODING FOR PAYMENT PURPOSES (OTHER THAN NURSING HOME TYPE DAYS)

- 3.1 In keeping with these principles, payments for casemix WIES throughput will be based on data held within the VIMD.
- 3.2 It is a hospital's responsibility to ensure that data are transmitted to the VIMD in time for inclusion in the HCS file consolidation on the 21st of each month. Because of the various methods of transmission used by hospitals, and HCS processing schedules, inclusion of data in the file consolidation will generally mean that data must be transmitted to the PRS or PRS/2 feeder system of the VIMD between the 14th and 17th days of the month following the month in which the separation occurred.
- 3.3 From a payment perspective, the deadlines for data transmission are particularly important at the end of each quarter, as payments are based on the VIMD consolidated file data as at **21 November, 21 February, 21 May and 21 August** respectively.
- 3.4 A hospital must transmit data to the VIMD at least monthly but may transmit data on a more frequent basis. One transmission each month must be an *end of month* transmission; this signifies that the transmission is complete in respect of the admission and separation details for the previous month.
- 3.5 The file consolidation on the 21st day of each month has, up until October 1993, only processed transactions transmitted before or contained in an *end of month* transmission. This has meant that diagnosis and procedure details or corrections for earlier months may have been received at HCS within the deadline but excluded from the file consolidation.
- 3.6 To overcome this a *non end of month* VIMD extract cycle has been introduced, commencing with the November 1993 consolidation. On the 18th of each month, all hospitals which have a non end of month file date will be re-extracted before being consolidated on the 21st day.
- 3.7 Where a hospital is unable to provide data to VIMD for technical reasons, it should formally advise the Regional Office of such prior to the **7th working day of the month** during which transmission is due. Whether the hospital will suffer a financial penalty will be advised prior to the quarterly deadlines as set out in 3.3 above.

4. PAYMENT PROCESSES

- 4.1 Admission, separation, diagnosis and procedure data will be converted to Weighted Inlier Equivalent Separations (WIES) in accordance with clause 2.8.2 of the Conditions of Funding. Specifically, the proportion of (casemix funded)

outlier beddays to (casemix funded) total beddays for hospitals will be reviewed, and, where a hospital's performance is markedly above the group median, the outlier days will be discounted by 50% in the calculation of the WIES.

4.2 Payment Adjustment Stemming from first Quarter Data

- (i) Cash has been advanced during the first quarter on the basis of the "base WIES" as specified in clause B 2.3 of the Health Service Agreement.
- (ii) Following consolidation of the first quarter data file on 21 November, the first quarter variable payment will be adjusted on the basis of 1st quarter WIES calculated in accordance with clause 4.1 (in the first payment in December).
- (iii) If a hospital's throughput for the 1st quarter is less than the base WIES, the cash advance will be adjusted downwards.
- (iv) If a hospital's throughput for the 1st quarter is greater than the base WIES, an additional payment from the throughput pool will be made. The applicable rate is \$800 per WIES (plus \$300 per WIES for public patients).
- (v) Cash advances for the second quarter are currently being made on the basis of the second quarter base WIES as specified in clause B 2.3 of the Health Service Agreement. Where a hospital's recorded throughput for the first quarter is markedly less than the base WIES figure, the situation will be reviewed with a view to adjusting downwards the 2nd quarter cash advances and 3rd quarter cash advances which will be paid prior to review of the second quarter throughput figures.

4.3 Payment Adjustments Stemming from Second Quarter Data

- (i) Following the consolidation of the second quarter data file on 21 February, payments will again be adjusted on the basis of coded data in the VIMD (in the first payment in March 1994).
- (ii) Any additional coded separations or separations with amended coding for the first quarter will be paid at the agreed rate of \$800 per WIES (plus \$300 for public patients) up to the total base WIES for the first quarter.
- (iii) Should the coding additions or amendments for the first quarter result in a recorded 1st quarter throughput in excess of the base WIES for that quarter, the additional throughput will be paid from the 2nd quarter throughput pool at one half the rate determined for throughput credited to the 1st quarter pool (i.e. at \$400 per WIES plus \$150 for public patients).

- (iv) Should the coding additions or amendments for the first quarter codings result in a net decrease to first quarter WIES, the total payment will be adjusted downwards at the applicable rate(s).
- (v) If a hospital's throughput for the second quarter is less than the base WIES [or the adjusted base WIES - see 4.2(v)] the cash advance will be adjusted downwards.
- (vi) If a hospital's throughput for the second quarter is greater than the base WIES [or the adjusted base WIES - see 4.2(v)] an additional payment from the throughput pool will be made. The applicable rate will be \$800 per WIES (plus \$300 per WIES for public patients).

4.4 Payment Adjustments Stemming from Third and Fourth Quarter Data

- (i) The procedures set out for the second quarter above will also be applied to subsequent quarters, with two quarters coded data being considered and adjustments calculated at the end of each quarter.
- (ii) Note, however, that coding additions or amendments for separations which occurred two or more quarters previously (e.g. first quarter separations coded in the third quarter) will not result in additional payments.
- (iii) Note also that, in accordance with clause 2.19.1(b) of the Conditions of Funding, data for the financial year must be complete in time for the file consolidation on 21 September.
- (iv) Note, Clause 2.8.4(g) applies and will be based on the monthly Elective Surgery Activity Return (AIMS Form 306/S3).

5. PAYMENTS FOR NURSING HOME TYPE DAYS

- 5.1 Payments for Nursing Home Type Days are based on data recorded in the monthly Agency Information Management System return (AIMS Form 306/S1).
- 5.2 Cash advances for Nursing Home Type beddays will be adjusted quarterly, at the same time as other casemix payments. The applicable rate is \$110 per bedday.


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