

DISTRIBUTION: Public Hospitals

SUBJECT: Acute Health Throughput Targets and Additional Throughput Pool Operation for 1994/95

PURPOSE: To Vary Aspects of Departmental Policy and the Conditions of Funding Applying to Acute Health Throughput Targets and the Operation of the Additional Throughput Pool for 1994/95

1. **INTRODUCTION**

Following review of the published provisions relating to the additional throughput pool for 1994/95, the following arrangements will be put in place, and the Departments published policy documentation, Conditions of Funding and Health Service Agreements will be varied accordingly.

2. **TOTAL FUNDS AVAILABLE FOR "ADDITIONAL THROUGHPUT"**

The "Casemix Funding for Public Hospitals 1994/95" document indicated that approximately \$36M would be available for additional throughput over the hospital throughput targets published in that document. Increasing certainty regarding Commonwealth payments to Victoria under the Medicare Agreement bonus pool arrangements allow an increase in the funds available for additional throughput (i.e. additional to the targets specified in "Casemix Funding ...") to be increased by \$5M to \$41M. There will be no further increase this financial year.

3. **NEW ARRANGEMENTS WITH REGARD TO GROUP A1, A2 & B HOSPITALS**

3.1 Target Increases

Throughput Targets for hospitals in groups A1, A2 & B will be increased by 5% from the published figures, thereby reducing the additional throughput pool funds by some \$32M. The increase in targets will be applied pro-rata to the quarterly targets and will result in an adjustment to the cashflow to these hospitals. Funds will be recalled where the new targets are not achieved.

3.2 Waiting List Provisions

Hospitals will be required to continue to ensure that there are no category 1 patients on waiting lists who have been waiting for more than 30 days as a condition for retention of the additional funding which results from the increase in targets.

As a further condition for retention of the additional funding, hospitals will also be required to continue to pay attention to the number of category 2 patients waiting in excess of 90 days. The target for discussion with hospitals as part of the Health Service Agreement process will be 50% of the July 1993 figure.

4. **NEW ARRANGEMENTS FOR GROUP C, D & E HOSPITALS**

4.1 Targets

Throughput targets for hospitals in these groups will not generally be increased, as the hospitals do not generally have access to waiting lists as a source of additional admitted patients.

Rather the first 5% of any additional throughput above the published targets will be guaranteed payment at the full variable rates of \$840 per WIES2 and \$315 per WIES2 for public patients medical costs.

Where any hospital in these groups can realistically anticipate an increase in throughput of 5% or more, an increase in targets may be negotiated as part of the Health Service Agreement process. Where increased targets are negotiated, conditions with regard to achievement of the new targets and recall of funds similar to those for the A & B Group hospitals will apply.

5. **THROUGHPUT POOL**

The throughput pool will consist of some \$2.3M per quarter, supplemented by recalls from hospitals which do not achieve their throughput targets in each quarter.

The first call on the throughput pool in each quarter will be the payment to Group C, D & E hospitals for increased throughput of up to 5% in excess of targets.

The remaining pool will then be divided proportionately between all remaining throughput assigned to the pool. It is likely that the rate for this additional throughput, and where applicable for the public medical payment, will be substantially reduced. An illustrative example is provided as Attachment B.

6. VARIATIONS TO THE 1994/95 CONDITIONS OF FUNDING

Variations to the published Conditions of Funding required to implement the above changes, and which result from consideration of other matters raised by the VHA and hospitals, will be the subject of a separate Circular in the immediate future.



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SUMMARY

GROUPS	TARGETS	THROUGHPUT POOL	EXTRA CONDITIONS
A1, A2 & B	up 5%	Rate determined by total claims on pool.	No category 1 patients waiting more than 30 days Continued attention to the number of category 2 patients waiting more than 90 days . Target 50% of the July 1993 figure to be discussed with hospitals.
C, D & E	No change unless specifically negotiated in Health Service Agreement process.	Full marginal rates guaranteed for first 5% increase. Rate for additional throughput determined by total claims on pool.	NIL

ILLUSTRATIVE EXAMPLE THROUGHPUT POOL OPERATION

	SCENARIO 1 93/94 4TH QUARTER	SCENARIO 2 93/94 4TH QUARTER + 5%
Throughput Pool	\$2.3M	\$2.3M
Recalls	<u>\$4.2M</u>	<u>\$2.3M</u>
	\$6.5M	\$4.6M
<u>1st 5% Increase, Group C D & E</u>		
Throughput Assigned to Pool	350 WIES2	455 WIES2
Rate per WIES2	\$840	\$840
Public Medical Rate	\$315	\$315
<u>Additional Throughput</u>		
Additional Throughput Assigned to Pool	11,650 WIES2	18,275 WIES2
Rate per WIES2	\$385	\$164
Public Medical Rate	\$143	\$ 60

SCENARIO 1 Assumes throughput is equivalent to that of the last quarter in 1993/94.

SCENARIO 2 Assumes the same casemix as the 4th quarter 1993/94, with a 5% increase in volume.