

**Distribution:** Public hospitals

**Subject:** Throughput Pool Payments and Elective Services Performance Bonus

**Purpose:** To finalise Additional Throughput Pool Payment arrangements for 1994/5 and to announce the Elective Services Performance Bonus.

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**1. Additional Throughput Pool Payment Arrangements**

**Quarters 1 & 2**

- 1.1 Following dispatch of the Department's Circular No 26/1994, and the Hospital Funding Guidelines 1994/95, representations from the field resulted in a further agreement that the additional 5% increase to the 1994/5 targets for each hospital should be paid at full marginal rates (of \$840 per WIES2 and \$315 per WIES2 for public medical costs) regardless of the quarter in which the additional 5% throughput was produced.

This new agreement overcame the perceived difficulty that Hospitals which were under target in one quarter, but over target in another would have funds recalled at the full variable rate(s) of \$840 and \$315, but would receive additional payments in the second quarter at the (much lower) throughput pool rate.

- 1.2 In order to operationalise the annual acquittal system, funds which would otherwise have fed into the throughput pool during the first and second quarters were reserved in order to pay hospitals full rates for their guaranteed annual 5% in subsequent quarters, should this prove necessary. As a result of reserving these funds, the rate paid for the first two quarters was \$156 per WIES2, and \$58 per WIES2 for public medical costs.
- 1.3 It has now become evident that many of the under-performing hospitals are unlikely to require funds reserved during the first and second quarters, and these funds are now to be made available to increase the throughput pool rate paid in the first two quarters of the year. The final rate will be \$270 per WIES2, and \$100 per WIES2 for public medical costs.

**Quarters 3 & 4**

- 1.4 The Funding Guidelines, and Circular 26/1994 together provide that where Category 2 > 90 days waiting lists are not reduced by 50% from the 1 July 1993 figure by 1 January 1995, and held at or below the reduced figure, hospitals will not be eligible for payments from the throughput pool, and will have the funding attributable to the 5% addition to targets withdrawn for each of the third and fourth quarters.

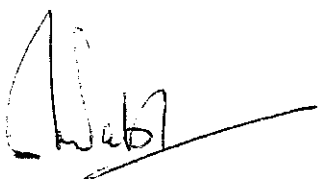
- 1.5 In recognition of the difficulties faced by hospitals in reducing the Category 2 > 90 days waiting lists, the Department has now determined that the funding attributable to the 5% addition to targets will not be withdrawn for failure to comply with waiting list criteria.
- 1.6 The waiting list criteria will however be applied to determine eligibility for access to throughput pool payments, with the result that throughput pool payments for eligible hospitals are likely to approach the full variable rate of \$840 per WIES2 for the third and fourth quarters.

## 2. Elective Services Performance Bonus

- 2.1 In establishing the 1994/5 Acute Services budget, the Department set aside a contingency against liability for fee-for-service Visiting Medical Officer superannuation arrears payments. It now appears that these funds will not be required this financial year. In addition, Victoria has achieved a net surplus on interstate patient payment arrangements. A total of \$7M is available for distribution to hospitals under the Elective Services Performance Bonus.
- 2.2 The purpose of the bonus is to reward **waiting list hospitals** which are achieving waiting list reductions.
- 2.3 The level of bonus payable to each hospital depends on:
- a. Non-same day elective throughput for the 1994/5 financial year.
  - b. Waiting list management performance, determined as follows:
    - i. Category 1 - no patients waiting more than 30 days.
      - Failure to meet this criterion means that **no bonus is payable**.
    - ii. Category 2 - reduction in number of patients waiting more than 90 days. The bonus payable per non-same day elective WIES2 will vary as follows:
      - 50% reduction 1/7/93 to 30/6/95 - 100% bonus payable.
      - Between 1% and 49% reduction 1/7/93 to 30/6/95 - 2% to 98% bonus payable, dependent on level of reduction.
      - No reduction - **no bonus payable**.
    - iii. Category 3 - total number of patients on the Category 3 waiting list. The bonus payable per non-same day elective WIES2 will vary as follows:
      - No increase in Category 3 numbers between 1/4/95 and 30/6/95 - full bonus as per Category 1 and 2 criteria.
      - Increase 1/4/95 to 30/6/95 - a reduction in the entitlement determined for Category 1 and Category 2 performance will be applied. The percentage reduction will be numerically equal to five times the percentage increase

in total numbers on the Category 3 waiting list up to a maximum of 100%.

- 2.4 It is intended to prospectively pay the Elective Services Performance Bonus based on hospital predictions of their ability to achieve waiting list management targets. Regional Acute Health Managers will contact hospitals over the next few days seeking advice regarding likely Category 1 > 30 days, Category 2 > 90 days and Category 3 numbers as at 30 June 1995. The Department will allocate the bonus based on hospital advice, and adjust payments early in 1995/6 once actual performance is known.
- 2.5 The Department seeks to advise hospitals of their bonus payments by 22 May 1995. Accordingly, I request your urgent assistance in providing waiting list predictions to Regional Acute Health Managers by 18 May 1995.
- 2.6 In recognition of the contribution of non waiting list hospitals to the total elective services work in the state, a bonus payment per non-same day elective WIES2 for 1994/5 will be determined equivalent to one half the average rate payable for waiting list hospitals.



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