

New PDRSS pricing model

Implementation guidelines for agencies

Background

In January 2004 the Minister for Health established the PDRSS (Psychiatric Disability Rehabilitation and Support Services) Pricing Review in response to viability issues raised by the PDRSS-funded sector.

The Pricing Review was a collaborative project involving the Department of Human Services (the department) and the PDRSS sector.

The review was undertaken by the department's Mental Health Branch and was informed by the input of a reference group comprising:

- Daniel Andrews, Parliamentary Secretary for Health, Chairperson
- David Clarke, Chief Executive Officer, VICSERV
- Phil Eddy, President, VICSERV
- Robyn Duff, Chief Executive Officer, Richmond Fellowship
- Margaret Goding, Director Mental Health, Correctional, Drug and Alcohol Services, St Vincent's Health.

The key aims of the Pricing Review were to:

- address service viability issues
- establish and implement a transparent funding model, based on a unit price
- work towards equality in the cost per unit paid across all PDRSS agencies delivering comparable services.

Implementing a new pricing model, as recommended by the review, will provide a level playing field for further development of the sector in terms of price and client service. It will also put in place a firm foundation for future growth in the sector.

The 2005–06 State Budget allocated \$4.96 million in recurrent funding to the PDRSS sector to enable the Pricing Review to be implemented. This represents a funding increase of approximately 9 per cent, which is similar to the base-funding increase provided to the mental health adult acute inpatient services in 2004–05.

The new PDRSS pricing model

The new pricing model moves PDRSS from input-based (EFT-based) funding to activity-based pricing for most service types. In summary:

- *Home-based outreach support, day programs, planned respite and residential rehabilitation support* will be funded based on client hours.
- *Residential rehabilitation* will be funded based on bed days.
- *Mutual support, self-help, information and advocacy, Koori PDRSS and supported accommodation* will continue to be funded on a block grant basis pending further consideration of their funding models.

During the review process, the reference group agreed that the service variability issues surrounding *mutual support, self-help, information and advocacy services* and *Koori PDRSS services* were of such a complex nature that they could not be resolved within the review timelines. A decision was therefore made to exclude these services from this stage of the review. These activity types will be subject to separate consideration, with work to commence on a review of *mutual support, self-help, information and advocacy services* in July 2005. Further advice regarding the approach to Koori PDRSS services will be forthcoming.

Base funding for client hours and bed days includes:

- benchmarked service delivery costs derived from financial and output data provided by PDRSS agencies, and compared with other like services
- an allowance for minor capital and motor vehicle leasing.

Additional items to those funded in the base price will be funded. These are:

- a *regional special needs allocation*, including *special client packages*
- language services
- an accreditation grant.

Further details of the new pricing model can be found in the attached review report.

Key features of implementation

For agencies delivering services funded on the basis of activity, the new pricing model will be **implemented over a three-year period** commencing in 2005–06. *Planned respite* is an exception to this and is discussed below.

In 2005–06 existing funding will be translated into its new category. For services funded on a client-hour basis this translation will be based on each agency's client targets in the Service Agreement Management System (SAMS) at 1 July 2004 (or as amended by regional offices subsequently), and a set minimum ratio of clients to hours of service based on data provided to the review by the sector and in negotiation with the review's reference group. Table 1 (attached) shows the new prices and the expected minimum hours per client per annum used in conversion to the new pricing model.

Agencies that are funded insufficiently for the number of clients allocated and expected hours of service will be provided with a pricing adjustment.

Agencies identified as delivering services at above the new unit price will have this additional funding moved into a **NGO transition grant**. Over the implementation period these agencies will negotiate with regions how to best use this funding.

Additional reporting requirements will be introduced as detailed in Table 2 (attached).

All aspects of the pricing model will be monitored over the transition period and there may be adjustments in unit price and outputs over time.

The implementation process

To help introduce of the new pricing model, regions will negotiate with the department to complete an implementation plan. This collaborative process provides an opportunity for agencies to work collaboratively with regions to identify the best use of available funding. A planned approach will enable agencies to make any necessary shifts in service delivery over time and enable the department to monitor the impacts of implementation.

One of the expected outcomes of the new pricing model is greater standardisation of funded services. If agencies are delivering services that do not fall within the current PDRSS service funding model, regions will work with agencies to transition out of these arrangements.

Agencies required to deliver additional outputs or to align service standards with comparable providers will need to make targets and funding commensurate with the proposed new unit prices and/or align service standards.

Agencies operating across regions should negotiate their implementation plan with their regional office and the lead region will coordinate a consolidated implementation approach.

Impact on agencies

Implementing the Pricing Review may impact on agencies in three ways:

1. there may be no change in their funding and activity requirements, and simply a conversion to the new funding model
2. their funding may be increased for one or more activity types – this may involve an increase in activity for existing clients
3. they may be required to deliver additional activity to maintain their current funding levels, based on the agreed client to activity ratios.

Agencies receiving a pricing adjustment

Based on the agreed client to output ratios, some agencies are eligible for a pricing increase on the basis that they are being funded insufficiently for the number of target clients allocated and the expected hours of service.

Regions will work with agencies to develop a plan to ensure that additional funding is allocated appropriately and that the agency uses this funding to improve services to clients, whether by aligning service standards with comparable providers or by increasing outputs to the minimum required level where applicable.

Agencies delivering services at above the new unit price

As part of the review a number of agencies have been identified as providing services at a cost that is higher than comparable services across the state. One of the key expected outcomes of the new pricing model is establishing equality in cost per unit paid across all PDRSS agencies delivering comparable services. Where applicable, agencies will be advised that they have funding in excess of that required to deliver the specified units of activity. Each agency's 2005–06 service agreement will be amended to reflect this. Additional funding not allocated to a particular activity through the implementation process will be moved into a new category, 'NGO transitional grant', and be the subject of negotiations between the agency and the region.

An agency may also choose to request that the transition funding be allocated to another agency in the region.

Activity-specific issues

Block-funded services

Although most service types will be activity funded, as discussed above, *Koori PDRSS services, mutual support, self-help, information and advocacy services and carers' support services* were not included in this initial review and will therefore continue to be funded on a block-grant basis in 2005–06. In conjunction with these agencies, the department will review these activity types in 2005–06 with a view to moving towards a greater level of consistency in funding. Agencies receiving block grants will still be required to report on activity levels to assist in the implementation of the new pricing model and in maintaining accountability.

A NGO price indexation adjustment will be applied to these activity types in 2005–06, as it will to all activity types.

Home-based outreach support

Part of the analysis conducted in the review considered the impact of agency funding for *intensive home-based outreach support* on total agency funding and outputs. The review found that there was no significant difference between intensive and standard home-based outreach support in terms of costs, client numbers and hours delivered for the funding received.

As a result of this analysis the price per unit of activity for *home-based outreach support – intensive clients* has been set at the same rate as the price for *home-based outreach support – standard clients*. The difference between these two groups is the minimum number of hours of service delivered per client – intensive clients are assumed to receive more hours of service on average than standard clients.

Because of the variability within and across 'intensive' and 'standard' service types an envelope of funding and hours has been provided for *home-based outreach support*. Agencies providing standard services only have allocations based on their total targeted clients, the standard price (\$83.04 per hour) and units of activity per client (a notional 1.5 hours per week per client). Agencies also providing intensive services will receive an additional amount of top-up funding to reach the minimum hourly service requirements for these clients (a notional three hours per client per week).

In the first year of operation of the new pricing model some agencies may have insufficient capacity within their allocation to deliver 1.5 hours of service per standard client per week. The department is, however, committed to supporting the new service benchmark and will move towards allocating sufficient funding as a priority. In the meantime, agencies will not be required to deliver a level of service beyond that for which they are funded. In some cases it may be possible to move clients to another agency that has a capacity within their funding envelope to deliver the required hours.

Additional funding above the new price at current client levels has been converted to hours of service at the rate of \$83.04 per hour. Delivering these additional hours will be a matter of negotiation between agencies and regional offices. The negotiation process will be guided by the following criteria:

- the number of clients must not fall below current levels
- allocations must stay within the total envelope of funding and hours
- units of activity per client per week are an average over **the three-month reporting period** for standard (up to 1.5 hours) and intensive (three hours) clients, and weekly averages per client may vary over time
- previous informal *intensive home-based outreach support* targets negotiated with the agency will be considered in making a determination
- the capacity of the agency to deliver *intensive home-based outreach support*.

The information received from regional offices as part of the allocation process and from agencies as part of ongoing reporting against this activity will be used to review benchmark service levels for standard and intensive clients following implementation.

Day programs

Day programs are being priced on the basis of the following service definitions:

- Statewide specialist – a specialist *day program* provided on a statewide or specialist basis.
- Drop in – drop-in services only.
- Integrated–standard – a combination of small group and/or one-to-one activities.
- Integrated–high cost – an intensive service provided at above the standard unit price. Agencies will be able to deliver services in this category if their program is demonstrably more intensive and is targeted clients with complex needs, delivered either on a one-to-one basis or to small groups. Alternatively agencies may negotiate to redirect this funding to other PDRSS-funded activities, including other day program models. The implementation period provides an opportunity to review what constitutes a quality integrated high cost day program.

Prices for *day program* activities have been based on information provided by agencies delivering services in either the specialist, integrated or drop in categories.

Residential rehabilitation

There are three unit prices under the residential rehabilitation activities:

1. 24 hour residential
2. non-24 hour residential
3. residential rehabilitation support.

Prior to the Pricing Review, some agencies received funding for additional positions for youth residential rehabilitation, commonly termed 'dual diagnosis' positions. These positions supported clients within the rehabilitation centre, but also provided some follow-up outreach service to clients. In recognition of this, *residential rehabilitation support* will be funded on a per-hour basis and is a separate category to the bed day funding. The price for this service for agencies funded prior to 2004-05 has been increased to the 2004-05 rate for equity purposes. It should be noted that the unit price for this activity is higher than HBOS due to the expected outputs, which incorporate more community outreach and liaison.

Bed-based residential rehabilitation services have been divided into 24 hour and non-24 hour on the basis of information provided by the agencies and cross-checked with departmental records. The definition of 24 hour requires residential rehabilitation services to be staffed on-site, 24 hours a day, seven days a week.

Monitoring the implementation of the new pricing model will provide opportunities to collect information and data from agencies and service users. This information may be used to redraft activity guidelines for PDRSS programs. For example, there may be a need to set minimum standards for residential rehabilitation in areas relating to rent/board, tenancy rights and responsibilities, entry eligibility and priority of access criteria. Changes to PDRSS activity guidelines will be undertaken in consultation with service users, agencies and regional staff.

Planned respite

Agencies provided highly varied reports of the service delivered under this activity and the information was not sufficient to allow a soundly-based price to be developed for each sub-category. As a result, in agreement with the reference group, a baseline price was set and targets and funding for agencies delivering above this price will not be changed in 2005-06. Over this period, as part of the data collected under the new monitoring system, actual service delivery will be monitored. This may result in a change to prices and/or service types and reallocation of transitional funding.

Key timelines and outputs

1. **Regions to provide summary information** in consultation with agencies to the Mental Health Branch to inform the conversion to the new pricing model – by 15 August 2005.
2. **Conversion to new prices and initial targets** – by 16 September 2005.
3. **Detailed implementation plan** – negotiated and agreed with regions by 30 September 2005.

Reporting requirements

All agencies, including block-funded services, will be subject to additional reporting requirements as per Table 2 attached. Compliance with these reporting requirements is a key accountability requirement and, as discussed above, will be used as part of the ongoing review and monitoring process.

Revised instructions regarding changes to coding within the Quarterly Data Collection (QDC) Information System are being prepared and agencies providing *aged intensive support* and *residential rehabilitation support* are being provided with new outlets to record activity for these services. Further advice will follow regarding the data collection process.

Agencies will shortly receive information on new training opportunities on QDC data collection requirements. The Mental Health Branch is also in the process of negotiating access to telephone support for PDRSS agencies completing QDC data collection.