

# Fact Sheet: Emergency Department Care Funding under National Reform

• Costing • Counting • Classification • Transparency

## What is Activity Based Funding?

The overarching goal of Activity Based Funding (ABF) is to provide a national platform for accurate and visible allocation of funding to Health Services based upon activity performed. This funding approach is across several of the health system service streams (acute admitted, subacute, non-admitted, mental health etc) including emergency department care. The building blocks of ABF include three key elements:

### ABF Building Blocks

1. **Counting:** Applying the same rules and units to measure the amount of activity that occurs.
  - For example you could count activity via length of stay, episodes of care or hours. With nationally consistent ABF one common unit of measure is introduced.
2. **Classification:** A method of grouping activity that uses a similar amount of resources into classes that are clinically meaningful.
  - Classification brings activities with similar resource usage and clinical conditions together under one grouping.
  - Classification can be related to patient characteristics (sex, age etc), approach to care (in the hospital or in the home), diagnosis (broken arm, asthma, heart attack) and/or condition (highly functioning, suffers co-morbidities).
3. **Costing:** Measuring in dollars the amount of resource used to provide each output in the classified group.
  - Costing is undertaken for each patient, measuring the amount of resources used by each patient. The average cost of all patients is then placed into one class combining cost information with patient activity.

## What is Emergency Department Care?

Emergency department care is provided to patients registered for care in an emergency department in selected public hospitals. Emergency departments are medical treatment facilities that specialise in acute care of patients who present without prior appointment, either by their own means or by ambulance.

## What does ABF mean for Emergency Department Care?

The National Health Reform Agreement (NHRA) required that ABF be introduced for emergency department care from 1 July 2012. This means that the Commonwealth government component of funding for emergency department care commenced under a nationally consistent ABF system from 1 July 2012.

Under the national ABF system, emergency presentations are classified according to the Urgency Related Group (URG) classification system, which provides a summary of the complexity and type of patients treated within an emergency department.

This transition to the nationally consistent model has meant that from 1 July 2012, Victoria's admission policy was changed such that episodes, where the patient's entire care is provided in the emergency department are no longer considered admitted care. This means that if a patient's entire episode of care is provided in the emergency department, they cannot be classified as an admitted patient.

## Counting

In Victoria, a condition of funding is that public hospitals collect and report electronic records for every patient treated. All emergency department data are collected at the patient level. Emergency department patient level data are reported through the Victorian Emergency Minimum Dataset (VEMD).

The unit of count for ABF emergency department care is an 'emergency department stay' or presentation. It includes stays for patients who are treated and go home, and patients that are subsequently admitted to hospital or transferred to another facility for further care.

## Classification System

As part of the NHRA, all States and Territories within Australia are required to collect and report data elements that feed in to the URG classification system.

URG Version 1.3 will be used to classify emergency department care for the purposes of ABF of these services from 1 July 2013. The URG classification applies to levels 3B to 6 emergency departments. The emergency department levels are defined in the IHPA's [Determination \(Glossary\)](#).

The following table provides the counting requirements for classifying emergency department presentations in to URGs.

### Emergency Department Care Data Elements

|   | ABF Requirement                                  |
|---|--|
| Urgency Related Groups (URGs)                         | Diagnosis<br>Triage Category<br>Departure Status |
| National Activity Weighted Unit (NWAU) <sup>1</sup> . | URG<br>Indigenous Status<br>Patient Post Code    |

There was no equivalent classification system in place for emergency departments in Victoria prior to the introduction of ABF for emergency department care.

## Costing

All Victorian Health Services are required to submit annual patient level cost data to the Victorian Cost Data Collection (VCDC). VCDC data are then submitted to the National Health Cost Data Collection (NHCDC) via the (IHPA).

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<sup>1</sup> The NWAU is the 'currency' that is used to express the price weights for all services that are funded on an activity basis. It does not replace the classifications that are used to describe activity (such as URGs, UDGs or AR-DRGs).

Costing data is used to:

- inform the setting of Victorian and national cost weights.
- inform development of funding models and budget proposals.
- analyse the cost of health care.
- Benchmark.
- inform best practice and quality improvement initiative.

Costing data for ABF emergency departments can be linked to patient level activity data.

## Scope

Eligible facilities in scope for ABF in the emergency department care stream are all the current Health Services that report to the VEMD.

More generally, public and private patients are in scope for ABF and compensable patients are out of scope (for example, funding for eligible veterans will continue to be subject to funding arrangements by the Department of Veterans Affairs (DVA)).

## Funding Methodology for Emergency Department Care

ABF is a method of allocating funds – based on the activity or outputs of an organisation or service; in this case presentations for emergency department care. Essential elements are:

- Targets to specify the volume of activity to be undertaken by a facility/service. This is expressed nationally as NWAU.
- A classification system to group activity into classes with similar clinical profiles and resource use.
- Costs to give indicative resource use of forecast activity targets (weighted activity units).
- A price at which the weighted activity will be paid.

Simply stated: Budget = Price X weighted activity volume.

Note that the National Efficient Price (NEP) is the average benchmark price across the country. Therefore, by definition, some jurisdictions and Health Services will operate below the NEP, and others above it. As system managers, Victoria retains the ability to fund Health Services according to State budget outcomes.

## Victoria's Emergency Department Care Funding Model in 2013–14

Based on analysis of the Independent Hospital Pricing Authority's (IHPA's) Final NEP funding model, it has been established that for 2013–14, Victoria's emergency department care will continue to be block funded as per historical levels, with growth funding based on activity. Health Services will continue to 'shadow' NWAUs to enable the flow of Commonwealth contributions, and familiarise themselves with the new unit of measure.

## Further Information

The IHPA's final [NEP Determination](#) and [Pricing Framework for Australian Public Hospitals 2013–14](#) provide further details about the national approach to funding.

Updated on 23 April 2013.