

Department of Health

The move to a Nationally Activity Based Funding Model

Evolution of ABF (2008 – present)

2011 – National Health Reform Agreement

- Introduction of Activity Based Funding (ABF) beginning from 1 July 2012.
- Goal to move as much funding as possible to an activity base and away from block funding.
- State and Commonwealth payments to Local Health Networks (LHNs) via a state account managed by Administrator.
- Teaching, training & research and small rural will continue to be block funded.
- Establishment of Independent Health Pricing Authority (IHPA) to set the Nationally Efficient Price (NEP) and the “rules” of the system.

National Health Reform Agreement 2011

Key points

- For 2012–13 and 2013–14 (transition years) there is a capped funding envelope for payments from the Commonwealth equivalent to the amount that otherwise would have been payable from the National Healthcare SPP. Details are provided in National Healthcare Agreement pg 17/18, but in essence no extra Commonwealth funding is available during these years.
- From 2014–15, the Commonwealth will contribute 45% towards efficient growth (growth in service volume at the efficient price).
- From 2017–18, the Commonwealth will contribute 50% towards efficient growth (growth in service volume at the efficient price).

National Health Reform Agreement 2011

Classification of Hospital Activity

Hospital functions grouped into 7 main categories:

- Admitted Acute
- Emergency Services
- Non-Admitted
- Sub-Acute
- Mental Health
- Community Service Obligations
- Teaching, Training & Research

National Health Reform Agreement 2011

ABF Implementation Schedule

1 July 2012

- Admitted Acute
- Emergency Services
- Non-Admitted

1 July 2013

- Sub-Acute
- Mental Health

Classification System

Implementation: 1 July 2012

Admitted Acute:	AR-DRG V6.x
Emergency Departments:	Urgency Related Groups
Emergency Services:	Urgency Disposition Groups
Non-admitted Outpatients:	National Hospital Cost Data Collection (NHCCDC) Tier 2

Data collection mechanisms

Data collection mechanisms

Admitted Acute

- Victorian Admitted Episodes Dataset (VAED)

Emergency

- Victorian Emergency Minimum Dataset (VAED)
- Victorian Admitted Episodes Dataset (VAED)

Non-admitted

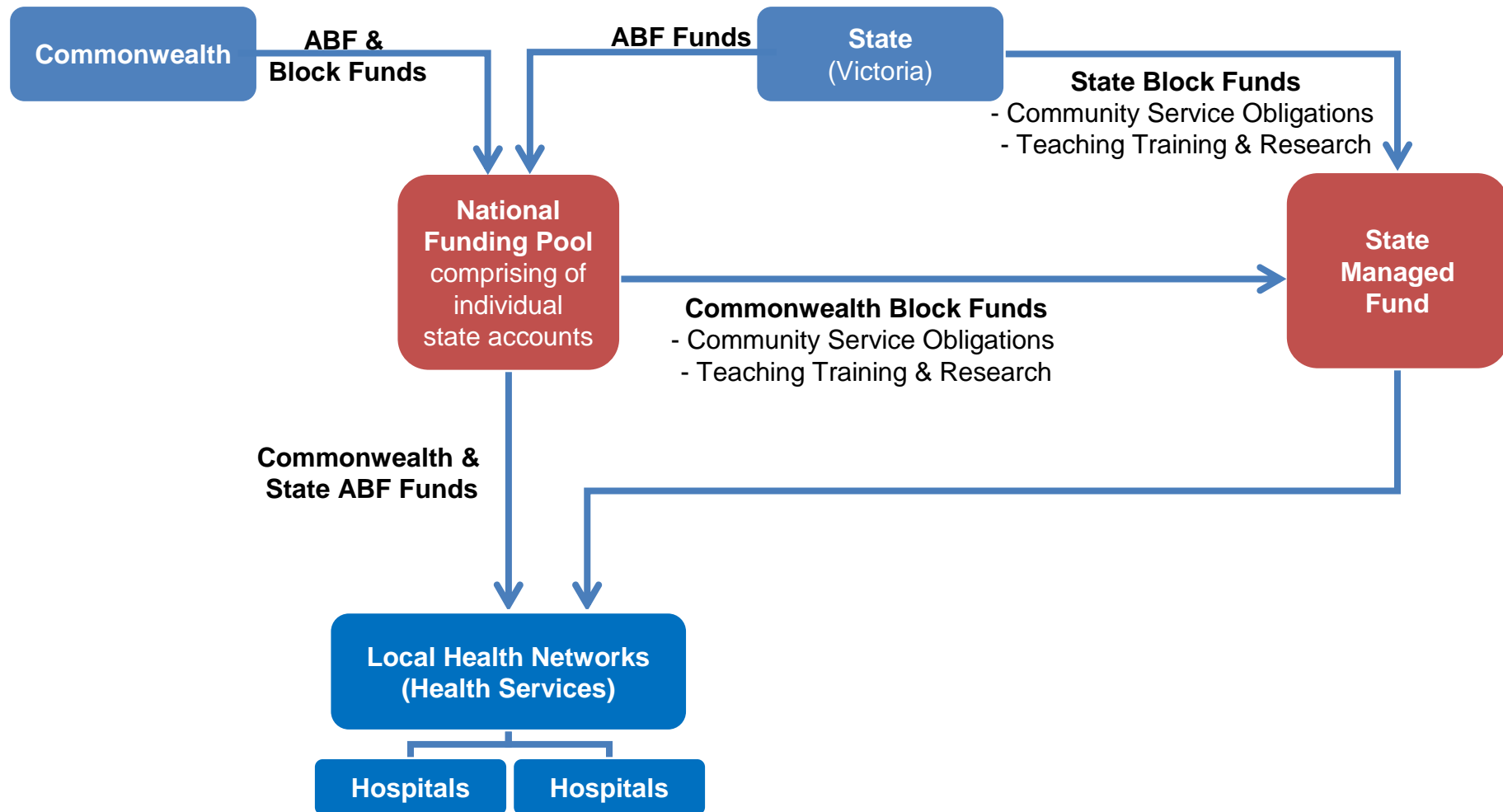
- Victorian Integrated Non-Admitted Health Dataset (VINAH)
- Agency Information Management System (AIMS)

Structure of new Funding Arrangements

Key issues at interface of NEP Determination and Victorian Government funding distribution

- Level at which the NEP is set
- New ABF models
- A single NEP for multiple service streams using National Weighted Activity Units (NWAU).
- A new approach to pricing private patients in public hospitals

National Health Reform Agreement 2012



What we know about the new arrangements

Commonwealth funding contribution

- Commonwealth will no longer fund its contribution through a Special Purpose Payment lump sum provided to State Treasury (\$3.126 billion in 2011-12).
- Contribution will instead flow:
 - ABF component directly to health services for acute inpatients, emergency departments and specialist outpatient clinics – using IHPA pricing model.
 - Block funding component via State Managed Fund for mental health, subacute, teaching & training, small rural health services.

What we know about the new arrangements

State funding contribution

- Contributions will flow:
 - ABF component directly to health services for acute inpatients, emergency departments and specialist outpatient clinics (using IHPA pricing model where practical).
 - Block funding component via State Managed Fund for mental health, subacute, teaching & training, small rural health services.
 - Transitional compensation grants via State Managed Fund.

National Funding Body

- **The National Funding Body** will make payments out of the **National Funding Pool** (for ABF activities) directly to health services. This will encompass both State and Commonwealth funding. Administered by a single **National Administrator**.
- **State managed fund** will be created to manage teaching, training, research and block (specified) grants.
- **Direct DH funding to Health Services** will continue for the provision of capital and services provided in a community setting (for example dental services, primary care, Home and Community Care (HACC), Residential Aged).
- **Funding from third parties** such as the Commonwealth for specific functions (pharmaceuticals, TAC and WorkCover for compensable payments) to continue.

New ABF Funding Models

	Current Victorian model	National ABF model (from 2012-13)
Acute Admitted	WIES – features include <ul style="list-style-type: none"> •copayments (e.g. ICU) •HITH adjustment •renal capitation 	WIES - like model, simplified <ul style="list-style-type: none"> •diluted ICU copayment •no HITH adjustment •no capitation payment
Emergency	NAESG – cover approved 24 hour emergency departments. Admitted emergency component paid using WIES.	URGs <ul style="list-style-type: none"> •cover admitted and non-admitted. •Commonwealth will not fund services (bundled encounters) already funded in part or in full through MBS, PBS
Specialist Outpatients	VACs – classification for medical outpatient clinics only. Allied health clinics funded using a flat rate.	Tier 2 <ul style="list-style-type: none"> •classification for both medical and allied health clinics •Commonwealth will not fund services (bundled encounters) already funded in part or in full through MBS, PBS

State Funding Contribution

Block Funding element	Rationale
Retain subset of specified grants	<p>Consistent with IHPA block funding criteria. Likely to include:</p> <ul style="list-style-type: none">• Nationally Funded Centres• Statewide Services• New Technology• Program initiatives• Contractual agreement• ICT
Transitional contribution (potential earmarking for large programs)	<ul style="list-style-type: none">• Minimises shocks to Health Service budgets arising from significant funding shifts• Any earmarking would not be able to cover all program areas. There will be an inability to maintain parity in program budgets at individual Health Service level.

Activity targets

- For services covered under NHRA Activity Based Funding in 2012–13 (acute inpatients, non admitted services and emergency department services), activity targets will be expressed as NWAU for submission to the Administrator to release Commonwealth funding.
- For services outside NHRA Activity Based Funding in 2012–13, service activity target measures will be unchanged (ie: CRAFT, GEM, etc).