SUBMISSION

6 December 2012

Victorian Healthcare Association

Comments on the Consultation Paper on the Definition and Cost Drivers for Mental Health Services

1. Background

The VHA is the major peak body representing the public healthcare sector in Victoria. Our members include public hospitals, rural and regional health services, community health services and aged care facilities. Established in 1938, the VHA promotes the improvement of health outcomes for all Victorians, from the perspective of its members.

The VHA welcomes this opportunity to provide comments on the consultation paper on the *Definition and Cost Drivers for Mental Health Services*. The VHA agrees to this submission being treated as a public document, and to the information being cited in the final report.

2. Introduction

The Australian health system is a complex and fragmented web of services and providers that are managed and funded by local, state and Commonwealth governments. This complexity makes it difficult for individuals to access the right information and seamlessly obtain the most appropriate care.

Mental health services cross settings and service providers, and patients with mental illness are managed with complex pathways. This results in a lack of coordination and a disjointed patient journey. Activity-based funding (ABF) limits the capability of health services to deliver a bundle of services that cover the entire patient journey rather than specific interventions.

3. Pricing Mental Health Services

It is challenging to accurately price mental health services. Mental illness is characterised by long-term episodes and fluctuating periods of relapse. Assessment and treatment for mental health patients can be prolonged and complicated by health and social factors. These factors impact on the overall cost of the treatment and management of patients with mental illness.

Victorian Healthcare Association

SUBMISSION

The consultation paper acknowledges that the Independent Hospital Pricing Authority (IHPA) only has a mandate to price public hospital services. As mental health services are not limited to hospital settings, there is a challenge to ensure that the funding model for mental health services supports an integrated model of care across boundaries and health settings that is able to appropriately and adequately address the needs of patients with complex healthcare needs.

Continuity of Care

Appropriate and flexible funding mechanisms are required to guide and inform the provision of mental health services. If mental health care is to be funded via ABF, publicly funded mental health providers may not have the budgetary scope to provide the breadth of services that patients with mental illness need.

To facilitate a more seamless trajectory of care, the VHA strongly believes that funding should follow the patient. Patients with mental illness often require treatments and services that are not directly related to their condition but are necessary to manage it nonetheless. There needs to be recognition that in addition to a primary mental health diagnosis, mental health patients often have multiple co-morbidities and varying levels of need. For example, patients with mental illness often present to health services with disruptive and aggressive behaviour, ongoing threat to self and others, and risk of absconding. These are usually managed with increased staffing, monitoring, and the use of chemical and mechanical restraints. Such strategies impact on the overall cost of providing care to mentally ill patients, in addition to the cost of interventions associated with managing co-morbidities.

The VHA advocates for the provision of flexible funding arrangements to support innovation and locally appropriate programs. ABF, while appropriate in some contexts, offers little scope for prevention and non-treatment programs. This is especially true for community based mental health services.

The VHA welcomes the Victorian Government's consideration of new funding models such as the care package approach outlined in the *Victorian Health Priorities Framework 2012-2022*. The VHA recommends an approach that funds the patient journey as opposed to the specific services received within it. The Mental Health Classification and Service

Costs (MH CASC) Study undertaken in Australia in 1998 recommended that this is more appropriate especially in community based care, where an episode of care is better defined as the total care received in a given period rather than the cost of each intervention.[1]

Cost Drivers for Mental Health Services

Given the complexities of managing mental health, diagnosis should not be the sole determinant of funding. A review of cost evaluation research on mental health services shows that diagnosis did not always accurately predict either service requirement or costs.[2] In Australia, the MH CASC Study found that patient related characteristics such as clinical severity, level of psychosocial functioning, age, and dependency for activities of daily living all impact on the needs of patients and the consequent costs of care provision.[3] Ongoing efforts to classify mental health services for the purpose of funding can be built on existing work such as the MH-CASC Study.

There is a strong correlation between mental illness and substance abuse. Patients with mental illness and also suffer from substance abuse (dual diagnosis) require complex assessment and admission planning and prolonged treatment. Mental health classifications should recognise that the combination of mental illness and substance abuse problems makes recovery more challenging for mental health patients and complicates the issues related to their illness. The implication of dual diagnoses is especially significant in mental health patients' use of, and access to, services. Due to the complex needs of patients with a dual diagnosis, treatment is often disrupted, leading to prolonged management and treatment.

Victorian Healthcare Association

SUBMISSION

4. Recommendations

- *That mental health services should continue to be block-funded in the absence of a robust classification system for mental health services, and while more work is undertaken to explore alternative funding models.*

- *That a mental health classification system should recognise the complex nature of mental illness and the funding methodology should consider cost factors other than diagnoses.*

- *That a flexible funding model be developed which supports an integrated model of care that allows patients with mental illness to receive the right care at the right place and time. A care package approach that funds the entire patient journey, rather than the discrete services within it, can facilitate continuity of care and a seamless patient experience.*

Victorian Healthcare Association

SUBMISSION

5. References

[1] Buckingham, B., Burgess, P., Solomon, S., Pirkis, J. and Eagar, K. (1998). *Developing a Casemix Classification for Mental Health Services.* Accessed from: http://www.health.gov.au/internet/main/publishing.nsf/content/887437969B1CD65ECA25723E001CAB35/$File/casemix1.pdf

[2] Jones, J., Amaddeo, F., Barbui, C., and Tansella, M. (2007). Predicting costs of mental health care: a critical literature review. *Psychological Medicine,* 37(*4*): 467-477. .

[3] Buckingham, B., Burgess, P., Solomon, S., Pirkis, J. and Eagar, K. (1998). *Developing a Casemix Classification for Mental Health Services.* Accessed from: http://www.health.gov.au/internet/main/publishing.nsf/content/887437969B1CD65ECA25723E001CAB35/$File/casemix1.pdf

6. For more information, please contact:

Tom Symondson
Research and Policy Manager
Victorian Healthcare Association
Level 6, 136 Exhibition Street,
Melbourne, VIC 3000
Email: tom.symondson@vha.org.au
Phone: 03 9094 7777

Dominic Diocera
Research and Policy Officer
Victorian Healthcare Association
Level 6, 136 Exhibition Street,
Melbourne, VIC 3000
Email: dominic.diocera@vha.org.au
Phone: 03 9094 7777