

Release of the Victorian Health Policy and Funding Guidelines 2014-15

19th September 2014

The Victorian Department of Health released the *Victorian health policy and funding guidelines 2014-15*. The document can be found at: <https://www.google.com.au/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=victorian%20health%20policy%20funding%20guidelines>.

This bulletin highlights aspects of the guidelines that represent a significant departure from policy and funding from previous years or are expected to be of interest to VHA's membership.

1. Health funding

State budget

The Victorian 2014-15 state budget saw an overall 4.2% increase in state funding in health, with a 9.8% increase to primary, community and dental health services. The majority of this increase is attributed to the payments related to the social and community services pay equity case, and changes to Commonwealth funding.

The budget also includes new and existing capital projects totaling \$4.5bn.

Table 1:- Victorian State Budget - Health

Output group	2013-14 Budget (\$m)	2014-15 Budget (\$m)	Percentage increase 2013-14 to 2014-15
Acute health services	9,836.0	10,275.3	4.5
Ambulance services	661.9	696.5	5.2
Mental health	1,203.2	1,260.6	4.8
Ageing, aged and home care	1,216.1	1,203.7	-1.0
Primary, community & dental health	420.9	462.3	9.8
Small rural services	534.0	460.2	4.9
Public health	319.3	328.8	3.0
Drug services	153.5	165.1	7.6
Total	14,344.9	14,952.5	4.2

Source: *Victorian health policy and funding guidelines 2014-15*, pg 13-17.

Modelled expenditure budgets for health services

The modelled expenditure budgets for health services will see their budgets increase by 5.2% in 2014-15. This increase varies by sector, and is shown in the table 2.

Table 2:- Modelled expenditure budgets by provider type

Provider type	Modelled expenditure budget		Percentage increase 2013-14 to 2014-15
	2013-14 (\$m)	2014-15 (\$m)	
Health services	8,216.2	8,636.8	5.1%
Small rural health services	269.5	275.6	2.3%
Registered community health centres ^(a)	211.6	247.6	17%
Local government authorities	256.7	264.8	3.2%
Non-government providers	590.3	614.6	4.1%
Other funded organisations ^(b)	614.2	644.9	5.0%
Total	10,158.5	10,684.4	5.2%

Source: VHA analysis based on Victorian health policy and funding guidelines 2014-15, Part 4.

Notes:

a) The guidelines included the modelled expenditure budgets for Cobaw CHS, Nexus Primary Health and Northern District CHS in non-government providers. The table above has included them in the modelled budgets for registered community health centres

b) Includes Ambulance Victoria.

Points to note about the above table are:

- While the Department's funding to registered community health services will increase by 17%, the degree this is experienced by individual health services varies enormously. Specifically, some health services will experience a significant reduction in funding from the Department of Health, while others will see a significant increase in funding. The changes in funding experienced by individual health services appear to have been as a result of the recommissioning of Alcohol and Other Drugs and the Mental Health Community Support services. This has had a significant impact to organisations operating in this sector. Additionally, many community health services are reporting low increases in unit prices that are below the projected 2014-15 wage price index of 3.25% and the Melbourne CPI of 2.25%¹.
- Small rural health services and multi-purpose services will see a 2.3% increase in funding from the Department of Health. Many health services in this category will see a funding increase of less than 2%. This increase is less than CPI, and follows small increases in funding from previous years (i.e., 1.4% in 2012-13, and 2.2% in 2013-14).
- Metropolitan and regional health services will see a 5.1% increase in funding from the Department of Health. However, the WIES activity target for these health services has increased on average by 4.7%.

2. Other highlights

Below lists other aspects of the guidelines that represent a significant departure from approaches taken in previous years, or are expected to be of interest to VHA's membership. This is not a

¹ Source: Victorian State Budget Paper 2014-15 No.2.

comprehensive list of initiatives and changes in funding and guidelines as described in the *Victorian health policy funding guidelines 2014-15*.

- *Fee schedule for ambulance services:-* The fee schedule for ambulance services has changed. The Department of Health has committed to provide compensation for 2014-15 to neutralise the impact of moving to the new pricing model, however, the future actions of the Department beyond 2014-15 are at this stage unclear².
- *Pricing for quality:-* In 2014-15, Victoria will introduce a limited “pricing for quality” model for public health services. For this year, the Department of Health will allocate additional funding for services that achieve a zero ICU CLABSI rate per quarter, and meets accreditation outcomes against the National Safety and Quality Health Service Standards where developmental actions have been met with merit³.
- *Funding recall policy:-* The Victorian funding recall policy has changed. Areas affected are admitted services, small rural health services (renal, HACC, ACAS and residential aged care services), sub-acute non-admitted services, diabetes prevention, and residential aged care⁴.
- *Acute inpatient services (WIES):-* The number of WIES groups has been reduced from four to three, and the price difference between the groups has been reduced⁵. Additionally WIES cost weights are transitioning from the average cost of delivering services to an alternative approach of basing cost weights on the efficient cost of delivering services. As a trial the 2014-15 costs weights for hip and knee replacements will be based on the (lower) median prosthesis cost rather than the (higher) average prosthesis cost⁶.
- *Alcohol and other drug services:-* The recommissioning of adult non-residential treatment services occurred last year, and the new funding and delivery arrangements for the services will begin on 1 September 2014. The funding will be based on a new model on the basis of a Drug Treatment Activity Unit across five new activities. A new performance management framework will be implemented from late 2014⁷.
- *Home and community care:-* The administration and funding of the Home and Community Care (HACC) program for people aged 65 years and over (and Aboriginal and Torres Strait Islander people aged 50 years and over) will transition to the Commonwealth from July 2015, with business as usual with the Victorian Government responsible for administering the HACC program in Victoria in this year⁸.
- *Blood funding:-* Victoria is introducing the initial stages of blood funding reform by commencing the process towards devolved blood budgets to health services. In 2014-15, the Department will

² For further information, see: Victorian health policy and funding guidelines 2014-15, pg 64-65, and pg 109

³ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 34-35, and pg 50

⁴ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 33, and pg 93-96

⁵ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 33-34, 48. Pricing table, pg 105

⁶ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 34, and pg 48-49

⁷ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 70-71, and pg 241-242

⁸ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 36-37, and pg 72-73

provide health services with a Statement of Advice which will summarise the costs of blood used by public hospitals in the previous period. In 2015-16, it will also introduce financial accountability for blood use by devolving funding responsibility to public hospitals⁹.

- *Commonwealth initiatives in dental health:-* The Commonwealth Child Dental Benefits Schedule (CDBS) took effect on 1 January 2014 and provides up to \$1,000 in dental benefits for two years for children aged two to 17 in families eligible for Family Tax Benefit A. Public sector agencies have access to the scheme until the end of 2014. A second NPA for adult public dental services which will build on the current *NPA on treating more public dental patients*, has been deferred from 1 July 2014 until 1 July 2015¹⁰.
- *Classifying and counting mental health inpatients:-* A “shadow” weighted occupancy approach for non-specialist inpatient services was introduced in 2013-14. This model will continue in 2014-15 with some changes. In 2014-15 health services will receive funding based on actual capacity adjusted for expected occupancy for each age cohort. For patients requiring high-dependency care, health services will be allocated additional WOTs based on assessment of available capacity to deliver high-dependency care. This is an interim measure. The Department of Health will be setting up a trial using the Client Management interface for a three month block in the first part of 2015 to test ways of capturing cost data on high-dependency care. This will inform cost weights for 2015-16¹¹.
- *Health Independence Program (HIP) and Community Palliative Care (CPC):-* HIP and CPC will continue to be block funded and have an associated activity target. A “contact” rather than a “service event” will be the new unit of counting for these programs. Services that do not meet the overall HIP target are subject to recall. Targets for CPC will be considered shadow targets for 2014-15, and funding will not be subject to recall¹².
- *Specified grant consolidation:-* The “T and D research” and “ACHA teaching and research” specified grants will be consolidated into the relevant WIES peer group price. The Blood Matters grant for funding transfusion nurse and transfusion trainer roles will be incorporated into the WIES price. Palliative care funding for hospital consultancy (previously included in the WIES price) has been adjusted to align with the relevant WIES prices for major provider and outer metro and large regional peer groups¹³.
- *Elective surgery capacity:-* An additional \$45 million will be allocated to a new “Boosting Elective Surgery” pool through the 2014-15 Competitive Elective Surgery Initiative¹⁴.

⁹ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 35-36, pg 55

¹⁰ For further information, see: Victorian health policy and funding guidelines, 2014-15, pg 78-79

¹¹ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 36, pg 66-67

¹² For further information, see: Victorian health policy and funding guidelines 2014-15, pg 60-61

¹³ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 35

¹⁴ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 17



- *Service performance*:- The Department has introduced some changes to the health service performance monitoring, and is reviewing the performance monitoring framework for community service organisations¹⁵.
- *Other initiatives*:- There are several initiatives underway, such as reporting on access to specialist clinics in Victorian public hospitals¹⁶.
- *Data and reporting changes*:- There have been minor changes to the Victorian hospital admission policy, the Victorian Emergency Minimum Dataset, and implementation of online health service environmental management planning and reporting¹⁷.

¹⁵ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 18-19

¹⁶ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 20-30

¹⁷ For further information, see: Victorian health policy and funding guidelines 2014-15, pg 38-39