MEMBER BULLETIN

Victorian Health Policy and Funding Guidelines 2017-18

20 July 2017

The Victorian Department of Health and Human Services (the Department) has released the 2017-18 policy and funding guidelines (the Guidelines).

The Guidelines set out the key changes, new initiatives and conditions for hospitals and funded agencies for the coming financial year.

This Bulletin summarises the key changes and initiatives for hospitals and community health services.

Commonwealth funding measures

National Health Reform Agreement

Public hospital funding is a shared responsibility between the commonwealth and state and territory governments.

On 1 April COAG signed a Heads of Agreement which rolls over the National Health Reform Agreement arrangements from 201718, ending a long period of uncertainty as to the make-up of the Commonwealth Government's contribution to public hospital funding.

Under the new arrangements, commonwealth funding growth for public hospital services – previously unlimited and based on activity – will be capped at 6.5 per cent annually, and the commonwealth contribution to efficient growth funding will remain at 45 per cent of the efficient growth, rather than moving to the 50 per cent under the original NHRA.

Commonwealth investment in public dental services

The Commonwealth Government previously announced it would introduce a new Child and Adult Public Dental Scheme to commence from 1 January 2017. The proposed scheme would have provided $2.1 billion nationally over five years to public dental services. However, legislation to effect this change was not passed by the Commonwealth Parliament. In December 2016, the Commonwealth Government announced that the proposed scheme would not proceed.

The commonwealth subsequently announced funding of $242.5 million nationally for a new National Partnership Agreement for the period 1 January 2017 to 30 June 2019. A draft National Partnership Agreement on Public Dental Services for Adults was provided to jurisdictions for comment and is currently under negotiation. The offer from the Commonwealth represents a 30 per cent reduction from previous investments.

Victorian funding measures

Note: the following summarises key changes to funding policy in 2016-17. Further detail is presented in PFG Volume 2, Chapter 2: Funding arrangements for Victoria's health system.

HealthLinks: Chronic Care

The HealthLinks: Chronic Care model will continue and the 2017-18 WIES conversion rate for the first 12 months of a patient's enrollment in HealthLinks has been calculated at 2.2 WIES per patient/year.

The Department has recently contracted the CSIRO to work with the Department on a cosponsored evaluation of the program

Department of Veterans' Affairs

In March 2017 the Minister for Health and other national stakeholders signed an agreement that implements a uniform national purchasing arrangement for public hospital services provided to eligible veterans.

Under the changed arrangements, funding for admitted acute and subacute services will continue to be paid to actuals, whilst the funding for emergency departments, acute non-admitted and Health Independence Program will continue to be paid on a block allocation basis.

Admitted subacute – episodic funding model

Episodic funding will be expanded from rehabilitation and geriatric evaluation and management to include palliative care. Maintenance care will retain bed-day funding, with a progression to episodic care in the future.

Specialist clinics

An activity-based funding model for specialist clinics has been shadowed for the previous two years. This year, the Department will introduce the 'Weighted Ambulatory Service Event' (WASE) funding model for acute non-admitted specialist clinic activity that is not funded by another Victorian funding model (e.g. home renal, radiotherapy, home enteral nutrition).

WASE will include public and private activity, which will be counted as service events and classified according to the national Tier 2 classification with cost weights calculated according to Victorian cost data.

Mental health – input based funding

The 2016-17 policy and funding guidelines flagged the introduction of an input based funding model for acute admitted inpatient mental health. This will continue in 2017-18.

Health services will be funded based on their capacity to provide inpatient mental health care, with the number of bed days available. Adult, child and aged bed types will receive the same price regardless of the location of the health service. Specialist bed types will also receive the same price.

To support the transition to a single price model, a transition grant will be provided to health services to maintain funding equivalence from 2016-17 allocations.

Admitted extended care and non-admitted acute mental health care (e.g. ambulatory, subacute and residential aged mental health services) will continue via a mix of input (per day or service hour) and block grants.

Pricing for quality

In line with COAG commitments, commencing in July 2017, Victoria will progressively introduce funding policies to reflect non-payment for avoidable harm.

Victoria's 2017–18 approach to pricing for sentinel events involves a staged implementation of the national pricing model for sentinel events. If a sentinel event occurs, and the event is deemed to be avoidable, health services will not receive payment for the episode of care.

Dental pricing

The Victorian Auditor General's report Access to Public Dental Services in Victoria made recommendations relating to pricing, funding, performance and other parameters for state funded services, one of which was a move to standardised pricing.

The first stage towards a standard price commenced on 1 July and involved a new minimum floor price per DWAU, with no funding reductions or redistribution for those currently receiving a price above the floor.

Admitted acute –WIES24

Adjustment to AR-DRG8.0 clinical complexity codes

The Department has deemed 44 diagnosis codes to be non-clinically relevant when not coded as the primary diagnosis. The effect of this change will be that these codes will not affect the complexity of the episode and the subsequent funding for 2017-18.

Short stay unit adjustment

In 2017–18, the department will address the inequity arising from the same WIES payment being allocated to different patients receiving different types of care (short stay unit versus ward) and the dilution of the same day and overnight WIES payments for patients treated in the ward. A new set of WIES24 cost weights will be created for designated DRGs:

- for care delivered in short stay units based on activity in short stay units only, and
- (ii) for same day- and overnight-care delivered in wards based on activity excluding short stay units.

Review of loadings

Loadings used for WIES23 will continue under WIES24, namely:

- thalassaemia patients
- Aboriginal and Torres Strait Islander patients
- an abdominal aortic aneurysm stent
- an atrial septal defect closure device
- a cochlear implant device
- invasive mechanical ventilation.

The thalassaemia loading has been reviewed for the first time since 2997 and has been subsequently revised down from 0.2648 WIES per episode to 0.1089 WIES per episode.

There are no other changes to WIES24 loadings, however the Department has flagged a continued review of loadings in future iterations of WIES.

Endovascular clot retrieval (ECR)

The Department has led the implementation of a statewide approach to ECR, with the Royal Melbourne Hospital and Monash Medical Centre designated as the satetwide providers of round-the-clot ECR services. Other hospitals are able to deliver ECR services but are not expected to provide a 24 hour service, nor are the required to accept referrals from external hospitals. Non-designated ECR hospitals are the Alfred, Austin Hospital and St Vincent's Hospital.

National Bowel Cancer Screening Program – colonoscopy

To support the National Bowel Cancer Screening Program a new WIES target has been created with eligibility extended to all providers.

The VHA understands that this item is uncapped.

Contact

Chris Templin, Senior Policy Advisor
9094 7716
chris.templin@vha.org.au