The development and implementation of a national Activity Based Funding System in Australia - 4 year progress report.

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Introduction
A national system of activity based funding, based on a National Efficient Price, was introduced in Australia on 1 July 2012. The ABF system underpins payments of almost $35 Billion to public hospitals and directly determines the contribution of the Federal government to the state and territory run public hospital system.

Since the first year of ABF there have been significant methodological improvements in the pricing models used to determine the National Efficient Price, as well a widening of the scope of services covered, to include both subacute and admitted mental health care.

Methods
The pricing model has been empirically derived based on costing information collected as part of the National Hospital Cost Data collection.

Classifications have been refined overtime to reflect changes in clinical practice and the most up to date costing information. The non-admitted and emergency department classifications have been revamped and the AN-SNAP classification for subacute services introduced nationally.

Results
There has been a significant decrease in the growth rate of the cost per weighted activity unit over the past 5 years. Growth rates have decreased from over 5.1% in NEP12 to less than 3% in NEP15. This is no doubt due to a range of factors including the introduction of a national ABF system.

The NEP has become an accepted cost benchmark nationally and has been used by a number of Treasuries as lever to improve the efficiency of their public hospital systems.

Conclusions
Significant progress has been made in the implementation of a national ABF system over the past 4 years including:
The establishment of the Independent Hospital Pricing Authority
The publication of the National Efficient Price Determination
Development of classification systems for non-admitted services and emergency departments
Refinement of the AR-DRG and AN-SNAP classifications
Initial costing studies to support the design of TTR and Mental Health classifications.

There is more work to do including:
Establishment of a national benchmarking portal to enable hospital managers to identify areas for efficiency improvements and compare their performance to their peers
Exploring opportunities for the inclusion of safety and quality parameters in the national pricing framework
Exploring options for bundling care across settings and over longer periods of time.

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