

**TITLE:** The journey to activity-based funding for community mental health care delivered by Australian public hospitals

## **Introduction**

Community mental health care delivered by Australian public hospitals is currently block-funded due to the previous absence of an appropriate casemix classification to enable activity-based funding (ABF). Since 2012, the Independent Health and Aged Care Pricing Authority (IHACPA) has undertaken extensive work to develop the Australian Mental Health Care Classification (AMHCC) Version 1.0, which was released in 2016. Following the development of an appropriate pricing model, the AMHCC V1.0 will be used to enable the implementation of ABF for these services, thereby achieving the objectives of Australia's National Health Reform Agreement.

## **Methods**

To support state and territory health systems to prepare for the implementation of ABF, IHACPA has undertaken three years of shadow pricing to facilitate impact analysis and management of transition risks. This has involved consideration of alternative pricing model structures, particularly in terms of the incentives such models create and their associated policy implications. Related analysis has investigated variations in service delivery structures across Australia, economies of scale in an ABF environment and how to account appropriately for private patients. The overarching objective of model refinement has been to ensure the pricing and funding model appropriately accounts for existing service delivery patterns and supports quality, integrated and consumer-centred care delivery, without creating undue incentives or requirements to change care delivery in response to the introduction of ABF.

To support readiness, IHACPA also published educational materials to support clinical and hospital manager understanding of the classification and consulted extensively with a range of jurisdictional, clinical and other stakeholders to identify and address relevant issues. A key challenge in the transition has been understanding the projected funding impact due to the limited transparency of existing block-funding arrangements.

## **Results**

Work to facilitate the transition to ABF has highlighted complex policy, data collection, pricing and funding issues that have been addressed over time through close engagement with health system managers and ongoing refinements to pricing arrangements to prepare for ABF implementation. Planned progression to ABF for community mental health care services delivered by Australian public hospitals will improve the transparency of over \$3.5 billion in funding and enable future pricing and funding to more closely align to the complexity, type and intensity of mental health care needs of individual consumers, as well as changes in the cost of service delivery over time. As ABF implementation matures, this will support longer-term refinements to further incentivise value-based, integrated and consumer-centred care.

## **Discussion**

This will be the largest public hospital funding category to transition from block-funding to ABF since the introduction of national ABF in Australia. It has required a complex, multi-year work program. This has highlighted a range of important considerations for health systems seeking to implement ABF or other funding models informed by casemix classifications, both in terms of policy issues arising in the funding transition, as well as the value that clinically-relevant and appropriate casemix classifications can offer in improving the transparency and value-basis of all funding arrangements.