



Queensland Treasury Response to
Commonwealth Grants Commission
2010 Review Draft Report Attachment 11

Admitted Patient Services

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SUMMARY OF QUEENSLAND'S POSITION

Queensland broadly supports the proposed methodology in the Commission's Draft Report for the assessment of admitted patient services. A state's socio-demographic composition (SDC) is a major influence on its admitted patient services expenditure. The Commission's proposal to assess SDC by reviewing the following population characteristics (age; Indigenous status; socio-economic status; and where people live) is supported.

Queensland acknowledges that the independent databases used in the assessment are reliable when assessing population characteristics. However, as detailed in previous Queensland submissions, the databases are not comprehensive and should not be relied on to accurately capture intrastate location effects. Queensland suggests the Commission apply its general regional location factor to recognise differences in providing labour and non-labour resources to different areas within a state.

The proposed patient transport weight, fixed for the 2010 Review period, is based on an average of remote patient transport expenses per capita of five states over a four-year period (2004-05 to 2007-08). Queensland agrees that in the interest of simplicity the weight be fixed for the term of the review. However, to provide consistency with the Commission's decision to reduce the assessment period from five to three years, and to improve the 'up-to-dateness'¹ of outcomes, Queensland suggests the patient transport weight be calculated over three years.

Queensland acknowledges that if a potential culturally and linguistically diverse (CALD) disability factor has a material impact on the GST distribution then it should be included in the relevant expenditure assessment. However, there is not sufficient evidence to assess CALD in a robust way.

Queensland's Position on Key Issues

The proposed methodology for the assessment of Admitted Patient Services in the Draft Report has broad supported from Queensland. However, the following issues require further consideration by the Commission before the methodology is finalised:

- The databases used in the assessment should not be relied on to capture intrastate location effects. The Commission could apply its general regional location factor to recognise differences in providing labour and non-labour resources to different areas within a state.
- Calculating the patient transport weight over three years would be consistent with the Commission's decision to reduce the assessment period from five to three years and provide a contemporaneous outcome.

PROPOSED METHODOLOGY

The admitted patient services category comprises state expenses on acute and non-acute medical care and treatment for state residents admitted to a public hospital. The category also includes the costs of mental health institutions, nursing homes for the aged, patient transport expenses, superannuation for state government employees engaged in the provision of admitted patient services and depreciation of assets used in service provision.

The proposed assessment comprises two components:

¹ CGC 2010 Review Draft Report Chapter 3 Page 19 Paragraph 60

- **Service expenses** – This component comprises over 99 per cent of average admitted patient services expenses and a SDC disability factor recognising the use and cost of state provided admitted patient services differ among different population groups and a location disability factor recognising difference in providing labour and non-labour resources within and across states are assessed; and
- **Other expenses** – This minor component (0.4 per cent of average expenses) reflects an administrative scale disability factor.

The majority of this assessment relates to the influence of socio-demographic characteristics on the level of services required and the costs of providing them. Service delivery expenses are adjusted for SDC in two parts; hospital based services and non-hospital patient services. For hospital based services, allowances are made for the different expenses per person in different population groups defined by age, Indigenous status, location and socio-economic status. For non-hospital patient services, location is the primary driver of differential costs.

Each state's assessed service expenses are obtained by applying its SDC factor and the interstate location factor to its per capita share of expenses.

ASSESSMENT APPROACH

Intrastate Location

Queensland acknowledges that the databases used by the Commission in its assessment of admitted patient services are independent and the best available but as identified in past submissions, the databases do not include a significant number of small, rural and remote hospitals. As such, the databases cannot be relied on to accurately capture intrastate location effects. A separate intrastate location factor was sought for this expenditure category in previous Queensland submissions.

The Commission relies on two of the three databases (National Hospital Cost Data Collection (NHCDC) and National Public Hospital Establishments Database (NPHEd)) used in this assessment to capture location effects. The NHCDC currently reports about 91.4 per cent of all Queensland's hospital costs, whilst the NPHEd reports on costs per separation for only about 60 per cent of Queensland's hospitals. The remaining 8.6 per cent of hospital costs and cost per separation for 40 per cent of Queensland hospitals are generally in small, rural or remote locations. The use of both databases in combination does not satisfactorily model intrastate location disabilities because a significant proportion of data for small, rural and remote hospitals are excluded.

Queensland considers that differences in providing labour and non-labour resources to different areas within a state exist in this category. It is recommended the Commission apply its general regional location factor to recognise this disability. Alternatively, the Commission could review the remoteness of hospitals not captured in the NHCDC and make a further adjustment based on this information.

Patient Transport Weight

The Commission intends to fix its proposed patient transport weight for the 2010 Review period. Queensland agrees fixing the weight would result in a simpler assessment.

The Commission proposes a patient transport weight of 17 based on an average of remote/non-remote patient transport expense ratios of five states over a four-year period (2004-05 to 2007-08) - see Table 1.

Table 1					
Calculation of the Patient Transport Weight - 4 Year Average					
SARIA Region	2004-05	2005-06	2006-07	2007-08	Four-year Avg
Non remote per capita exp (\$)	4.4	4.7	5.4	5.8	
Remote per capita exp (\$)	66.9	75.0	86.7	128.6	
Remote/Non remote ratio	15.2	16.1	16.1	22.1	17.4

Source: Commonwealth Grants Commission Staff analysis based on data provided by Queensland, Victoria, Western Australia, Northern Territory and Tasmania

Table 1 shows that remote patient transport expenditure per capita has increased by 92 per cent over the four years, from 15.2 in 2004-05 to 22.1 in 2007-08. Victorian patient transport expenditure data indicated growth in excess of 9 per cent between 2007-08 and 2008-09². With the weight fixed for the entire review period, outcomes would be contemporaneous if the calculation of the patient transport weight is over three years and not four. Further, calculating the patient transport weight over three years would be consistent with the Commission's decision to reduce the assessment period from five to three years.

Alternatively, the Commission could enhance the patient transport weight's 'up-to-dateness' by calculating it over say five years, and estimating 2008-09 data. This could be done by estimating expenses for 2008-09 based on the average growth rate of both non-remote per capita expenses and remote per capita expenses over 2004-05 to 2007-08, then averaging the remote/non-remote ratios over five years rather than four. A patient transport weight of 19 would better reflect anticipated cost impacts of patient transport over the 2010 Review period - see Table 2.

Table 2						
Calculation of the Patient Transport Weight - 5 Year Average						
SARIA Region	2004-05	2005-06	2006-07	2007-08	2008-09 ¹	Five-year Avg
Non remote per capita exp (\$)	4.4	4.7	5.4	5.8	6.3	
Remote per capita exp (\$)	66.9	75.0	86.7	128.6	149.2	
Remote/Non remote ratio	15.2	16.1	16.1	22.1	23.7	18.6

Source: Queensland analysis based on Table 1 above.

Note 1: Estimate based on average growth over the previous four years.

A further option is for the Commission to revise the patient transport weight annually using patient transport expenditure data collected as part of its annual data collection. This alternative would result in the most contemporaneous patient transport weight, albeit through a less simple process.

² Commonwealth Grants Commission patient transport expenditure data collection. Queensland, Victoria, Western Australia, Northern Territory and Tasmania provided data for 2004-05 to 2007-08. Victoria provided additional 2008-09 data for the ten months to 30 April 2009.

Culturally and Linguistically Diverse Populations

Queensland supports the Commission's decision that should a potential CALD disability factor be demonstrated as having a material impact on the GST distribution then it should be included in the relevant expenditure assessment.

However, Queensland does not consider that sufficient evidence of the additional costs attributable solely to CALD has been provided. Where the Commission has data from only one state on CALD, it would be prudent for the Commission to consider how accurately the data reflects the national average position of states and if it uses the data as a basis for Commission judgement, to be conservative.