



AUSTRALIAN CAPITAL TERRITORY

SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION'S POSITION PAPER 2008/18: *ADMITTED PATIENTS*

March 2009



VIEWS ON THE COMMISSION'S ASSESSMENT PROPOSALS

INTRODUCTION

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories over the course of the past five years. As part of this process, the ACT has provided a number of submissions in response to Staff and Commission Discussion Papers and refined based on multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position regarding the validity of the conceptual case underpinning the assessments and the proposed assessment methods.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity, the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this context, a lack of objection (silence) does not imply support where such support has not been previously stated, and instances where comment has been made on refining a methodology does not necessarily imply support for the broader method itself unless otherwise stated.

OVERVIEW OF THE CATEGORY

Treatment of patient transport expenses

Inclusion of patient transport expenses

While the method used to assess SDC disabilities for inpatient expenses is considered to be suitable, it is not clear that it is valid to apply the same approach to patient transport expenses as:

- it assumes that average admitted patient expenses for SDC groups align with the average patient transport expenses for the same SDC groups;
- other non-policy influences that affect the demand / cost for patient transport services are not taken into account; and
- it does not recognise that patient transport is a whole-of-population service.

Use and cost of SDC groups

Data have not been presented demonstrating that average admitted patient expenses (capturing differential use rates and costs) for the specified SDC groups – age, Indigeneity, and socio-economic status – are the same as for average patient transport expenses for the same SDC groups. Similarly, no data have been provided on how location impacts on admitted patient expenses relative to patient transport expenses.

In the context of costs, it is difficult to accept that admitted patient disabilities, driven by the average cost of treatment of SDC groups, are suitable for applying to patient transport expenses, which appear to be largely driven by distance and incidence of use.

Non-policy influences that affect the demand for, and cost of ambulance services

A range of evidence from various States highlights that a number of important drivers that influence ambulance services have not been included in the proposed assessment of patient transport needs.

According to a review of financial aspects of the Ambulance Service of NSW, research undertaken by the Convention of Ambulance Authorities Australia, has concluded that demographic change only accounts for about a fifth of increased demand for ambulance services.¹ While there are some policy influenced drivers, a number of non-policy influenced factors affect demand, such as: ‘social factors – for example, increased numbers of people living alone and fewer family support structures’ and ‘accessibility of alternative services - particularly out of hours and in rural and remote locations, including the extent to which general practitioners (GPs) bulk bill patients’.²

In the case of Tasmanian Ambulance Service, Australian Institute for Primary Care research highlights that the following non-policy influenced drivers affect demand:

- GP issues such as the lack of availability of GPs, lack of bulk-billing availability, and limited after-hours availability;
- Australian Government policy on health insurance – including the impact of the 30% private health insurance rebate;
- social factors such as increased numbers living alone, decline in family support structures; and
- community expectations.³

Similarly, in the case of the Melbourne Ambulance Service, non-policy influenced drivers include: demographic change; social change; accessibility of alternative services; and the awareness of benefits of early intervention.⁴

Whole-of-population service

The ACT raised in its submission to CGC Discussion Paper 2007-13 *Admitted Patients* that the intent of patient transport services was to be able to respond to emergencies for the whole population.

Since the ACT submitted that submission, the Commission has released Position Paper 2008-24 *Public Safety*. This paper notes that as public safety services are provided to the whole population, and there is no evidence of differential use rates or costs for different groups, service use will be assessed on an EPC basis.⁵

¹ Review of Financial Aspects of the Ambulance Service of NSW Ambulance Service of NSW, Submission to the Independent Pricing and Regulatory Tribunal, May 2005, page 6.

² Ibid.

³ *Factors in Ambulance demand: options for funding and forecasting Consolidated report April 2007* Australian Institute for Primary Care Faculty of Health Sciences La Trobe University, page 42-43.

⁴ *Op Cit*, page 43-44.

⁵ CGC Position Paper 2008-24 *Public Safety*, page 29.

As patient transport services are provided to the whole population, and data have not yet been provided highlighting the differential use rates and costs for different SDC groups, patient transport expenses should also be assessed on an EPC basis.

Treatment of fees paid by or for patients in public hospitals

The proposal to net off admitted patient expenses user charges for fully compensable patients; for partly compensable patients such as those using private health insurance (States on average recover 65% of the cost of these patients); and patient transport fees & other minor user charges is supported as States recover a proportion of costs by these means, thus reducing the cost of service provision.

PROPOSED ASSESSMENT

The ACT generally supports the expenditure approach (aside from patient transport) using the AIHW hospital morbidity cost model to derive national expenses per capita by population groups. This approach is preferred to a cost-weighted separations approach.

It is noted that this simplifies the previous 2004 Review approach as a number of difficult issues, such as length of stay and the under-identification of Indigenous people in hospital records are already adjusted for via the AIHW model.

POPULATION DRIVERS

Age

The ACT supports the proposal to use seven age bands.

Location

The ACT is amenable to the use of four location bands based on SARIA regions given that the Commission has demonstrated that there are material differences for Tasmania that occur if four location bands are used compared to three bands.

Cultural and Linguistic Diversity (CALD)

The ACT supports the intention not to assess CALD influences given they are not material for any State. It is noted that the corrected calculations released by the Commission on 18 February 2009 indicated that the suggested CALD influence was actually not material.

Socio-economic status

The ACT notes the proposal to use three SES bands based on the ABS SEIFA Index of Relative Socioeconomic Advantage and Disadvantage (IRSAD). In principle, the arguments for an SES adjustment are accepted, as low SES persons on-the-whole use admitted patient services more frequently than high SES persons.

LACK OF PRIVATE PROVISION AND THE IMPACT ON THE PUBLIC SECTOR

The ACT has argued that its lower private provision of admitted patient services leads to higher public provision and that allowances should be made regarding these higher public expenses.

The examination of this issue by the Commission in the latest Admitted Patients Position Paper is welcomed.

While a range of evidence provided by the ACT demonstrates that its relatively small private hospital system results in higher public hospital system costs, it is difficult to extrapolate this analysis, and the impacts to the national level. The ACT acknowledges that data constraints prevent the Commission from accurately determining whether or not low private provision affects the demand for public hospital services, and the extent to which private and public hospital services are substitutable.

GENERAL COST INFLUENCES

Administrative costs

The intention of the Commission to assess an administrative scale disability within the admitted patients category is supported.

Location

It is noted that the intra-State cost differences between regions within a State for admitted patient services are already captured in the assessment via the use of four SARIA location classifications. As such, the intention to assess a location factor to account for inter-State differences is supported.

Cross-border

The 2008 Council of Australian Government reforms to Federal Financial Relations resulted in the current cross-border health reimbursement arrangements being maintained. Specifically, Annex B of the National Healthcare Agreement stipulates that States can recover costs for treating interstate admitted patients. In light of this outcome, the ACT considers that the Commission will decide not to assess recurrent cross-border costs in this assessment category.

Notwithstanding this, the ACT supports the decision that given the substantial size of the non-resident patient base serviced by the Territory, which represents around 25 per cent of ACT admitted patient separations, there is a need to recognise this in the capital assessment. An allowance should be included in the capital assessment to ensure that the ACT is given sufficient capacity to provide the hospital capital stock required by non-residents.

It is also noted that a similar issue applies to the capital costs for ED and outpatient services within the community and other health assessment.

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