From: Purcell, John
Sent: Tuesday, 30 October 2018 4:27 PM
To: Fan Xiang
Cc: Secretary@CGC <Secretary@cgc.gov.au
Subject: FW: Reminder - CGC Discussion Paper 2018-01/12-S - The ACT's draft comments on the Discussion Paper Review of Substitutability Levels for the Health Category . [SEC=UNCLASSIFIED]

Hi Fan

Thank you for your messages.

As discussed with Douglas Miller earlier, we intended to submit our response as a part of the ACT's Rejoinder Submission to the Draft Assessment Papers for the 2020 Review.

However, the sudden onset of additional work in the Federal Financial Relations sector more broadly threw a spanner on our plans regarding completing the Rejoinder Submission by 31 October 2018. It will now be delayed until 9 November 2018.

Hence, to assist your needs we are providing our draft comments to the Discussion Paper on substitutability levels in advance as outlined below. **A final comment** will be available in the ACT's Rejoinder Submission.

ACT COMMENTS

Admitted Patient Services

Based on the evidence presented in the paper, the ACT agrees that the current substitutability level of 15% for admitted patients remains appropriate.

Emergency Department Services

The ACT agrees that many of the less severe ED presentations can be treated through GP clinics and nurse walk-in centres. We agree that the availability of bulk billed GP services in particular influences the level of ED services provided by States.
The CGC paper notes that one of the consultants for the 2015 Review (James Downie – now CEO of the IHPA) advised that clinically derived methodologies should be preferred over the administrative approach or surveys based on patient perception. This view is in accord with that consistently maintained by the ACT.

Following recent consultation with clinical experts in our Health Directorate, the ACT proposes that the CGC obtain expert advice from the Medical Services Advisory Committee (MSAC) on the substitutability estimates for the various components of the Health assessment. MSAC is an independent non-statutory committee established by the Commonwealth Minister for Health to advise on public funding of new medical services and reviews of existing services on the Medical Benefits Schedule. In our view, action should be initiated on this proposal as soon as possible.

In relation to the relative cost of less severe ED presentations, it is clear that these will be less complex and thus less costly than more severe presentations (para 31, p.8, CGC paper). However, rather than making an arbitrary downward adjustment of the substitutability level based on

judgement, it would make more sense to use total NWAUs for GP type presentations as a proportion of total ED NWAUs to measure the cost impact.

Non-Admitted Patient Services

The CGC paper presents a set of estimates (para 41, pp.10-11) of substitutability levels for each of the classes of clinics specified in IHPA's NHCDC report. Again, it is the ACT's view that these estimates should be tested against independent clinical opinion, given their significance in the assessment.

Subject to this advice, we agree that the best indicator of non-State service use for non-admitted services is the value of bulk billed benefits paid for operations and specialist services. While in theory it would be desirable to add a component for services involving a co-payment, the value of such services would need to be discounted for income constrained users, with considerable judgement required about the level of discount.

Community Health Services

The ACT agrees with the CGC staff statement (para 52, p.12) that if the State and non-State sectors provide a similar range of services, and accessibility and costs are comparable, the potential substitutability would be high. Costs can simply be considered as an aspect of accessibility, as services requiring a co-payment or gap fee can be considered significantly less accessible than bulk billed services.

Our previous comments on independent validation of substitutability estimates apply equally to community health services. However, the application of a medium discount of 25% to this component of the assessment appears inappropriate, given the micro level of analysis and conservative assumptions already applied to the estimate. The ACT considers that this discount should be removed.

Following further work on receipt of State comments, I note the CGC staff intention to update all parties on the substitutability levels in a Telepresence scheduled for December this year.

Regards

John D. Purcell MIPA. AFA. JP.
General Manager
Federal Financial Relations
Treasury
Chief Minister, Treasury and Economic Development Directorate
Australian Capital Territory (ACT) Government
Level 1 Canberra Nara Centre | GPO Box 158 Canberra ACT Australia 2601 | www.act.gov.au