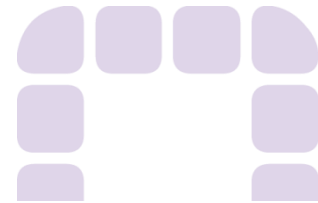




Activity Based Funding

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Setting

- National Partnership Agreement (NPA) on Hospital and Health workforce Reform
- NPA – agreement COAG Nov 2008 to improve efficiency and capacity in public hospitals through four reform components:
 - Activity based funding approach;
 - Health workforce capability and supply;
 - Provision of subacute services; and
 - Taking pressure off public hospitals.



National ABF Project

- Activity Based Funding...
 - is one component of the National Partnership Agreement on Hospital and Health Workforce Reform
 - is about development of a nationally consistent approach to funding public hospital services
 - has 8 work streams - admitted acute, subacute care, emergency care, outpatients, mental health, hospital auspiced community health, community service obligation, and teaching training and research
- Current work is focussed on product definitions, review of classification systems, counting rules and costing methodologies
- Each work stream has a business case and a work program to guide the development process



National ABF...

Western Australia ...

- is the “lead agency” for Emergency care (ED) work stream
- is supporting Queensland in the development of the community service obligation (CSO) work stream
- Also contributes to all development work of the other 6 work streams

Mental Health

- Mental Health work stream is led by Queensland
- WA will be represented by someone from the Mental Health Commission



WA ABF

- WA Health – introducing Activity Based Funding and Activity Based Management (ABF/ABM) - 1 July 2010.
- WA ABF - build on the work coming out of the national process - remain consistent with the broad elements whilst building on specific areas important for WA
- Focus – Operational Model and Policy Setting
- Initially applied to Inpatient and Emergency services
- Metropolitan and larger country public hospitals



WA ABF...

- What are we looking at:
 - Defining and counting activity;
 - Setting activity targets;
 - Establishing the need to use alternative models for different inpatient groups;
 - Costing inpatient and ED work;
 - Setting prices to different services and hospitals;
 - Necessary transitional arrangements;
 - Change management and communication approaches;
 - Inclusions and exclusions;
 - Incentives and disincentives;
 - Safety and quality of delivered services;
 - Reporting and monitoring.



WA ABF...

- underpinned by clinical services framework and demand and capacity models;
- enable allocation of resources to public hospital services in a transparent, efficient and equitable manner.
- balance the competing objectives of efficiency, equity and quality;
- share financial risk between system funders and providers;
- allow for innovation.



Model Inputs and Requirements

- Clinical Services Framework - Demand & Capacity Models
- Clinical Costing and NHCDC submissions
- Financial Reconciliation of Costed Information to General Ledger System
- Activity Definition – WAHMIG definitions developed to meet existing national and local definitions around IP & ED services as well meeting the criteria for a funding model.
- Activity Data – TOPAS, HMDS, HCare, EDIS
- Cost Weights – move to DRG V6.0 (which is considered a significantly improved grouper) requires the development of new WA cost weights by B&FM



Emergency Department

- WA uses a locally developed classification system and cost weights called PICSum (partitions attendances by age grouping, referral type and whether the patients arrives by ambulance or not).
- Specialised or WACHS hospitals use triage (measure of urgency) and disposition weights.
- Option exists to use full average cost pricing or facility charge plus a “variable” type cost



WA ABF – Funding Model

- Demand Model and CSF Targets - Models adjusted AHS input.
- AHS consultation
- Business & Financial Modelling –actual and forecast activity data - develop activity baselines.
- Targets - constrained by available funding
- Final Activity targets - developed with reference to the particular funding model chosen.
- **Base Rates – Setting prices to activity**
 - Cost weights – 3-year data – DRG relativity
 - Episode level costed information by hospital
 - Peer groups - based on factors such as size, role delineation and scope.



WA ABF – Funding Model

- **Model Features**

Provides targeted activity, by type, by hospital

Calculates funding requirements by activity type, by hospital

Provides mechanisms for implementation of incentives/disincentives and/or rewards/penalties to service providers

Prices can be set at average level, or to an efficient rate

Model allows for sensitivity analysis in regard to service reconfiguration, price modifications, the expected effect of reward/penalties application

Model allows for implementation of Safety and Quality funding and monitoring framework

Reporting can be done with high level accuracy through sophisticated forecasting methodology for weighting reported separations in a timely manner.

Model is fully transparent, information is reported to relevant stakeholders.



ACTIVITY BASED MANAGEMENT (ABM)

- ABM is the method for calculating and deploying budgets
- ABM is a process for:
 - “transparently monitoring, analysing and evaluating AHS performance”
 - Ensuring compliance
 - Ensuring accountability
 - Improving performance
- What are the elements of ABM ?
 - Performance Agreements (PA)
 - Reporting of relevant KPI & PI (which are aligned to strategic and operational objectives)
 - Assessing provider performance against benchmarks, peers and targets
 - Balanced Scorecard approach (financial, workforce, activity, access, quality and safety domains)
 - Incentives and disincentives based on performance
 - Intervention for non-performance
 - Governance Framework
 - Statement of Policy objectives

