

s22

From: s22
Sent: Friday, 9 December 2022 1:48 PM
To: JORDAN, Kayla
Cc: s22
Subject: Measuring Efficient Price Growth in the NHRA [SEC=OFFICIAL]

Hi s22

As discussed, when we are discussing the rise in the unit price of delivering public hospital services, the best measure to use is the efficient annual growth in the National Efficient Price (NEP).

Each year, the IHACPA publishes a NEP Determination that sets the NEP for services to be delivered in that financial year. However, strictly speaking, the NEP for 2021-22 is not directly comparable to the NEP for 2022-23. Instead, the NEP for 2021-22 is the constructed average unit price for public hospital services as conceived of and classified in 2021-22. For 2022-23, public hospital services will be conceived of and classified in a different manner to they were in the prior year.

To allow comparability between years, the IHACPA engages in a process known as “back-casting” – that is, they seek to remove the changes in price caused by changed in classification, and instead have only the remaining real increases in price remain. This is known as efficient growth in the context of the NHRA, and is the basis upon which the Commonwealth’s funding is calculated: we measure the growth between this year’s “native” NEP, and last year’s “back-cast” NEP.

For example, here is the link to IHACPA’s 2022-23 NEP Determination:

<https://www.ihacpa.gov.au/sites/default/files/2022-08/National%20Efficient%20Price%20Determination%202022%E2%80%9323.pdf>

Page 7 sets out the NEP for that year:

2.1 The national efficient price

The national efficient price (NEP) is \$5,797 per national weighted activity unit 2022–23 (NWAU(22)).

Page 27 sets out the back-cast prior year NEP for that year, and repeats the explanation I have just given as to why this is done:

11. Back-casting

Clause A41 of the Addendum to the National Health Reform Agreement 2020–25 (the Addendum) outlines that where the Pricing Authority makes any significant changes to the activity based funding (ABF) classification systems or costing methodologies, the effect of such changes must be back cast to the year prior to their implementation for the purpose of calculating Commonwealth funding estimates for each ABF service category.

In accordance with clauses A34(b) and A41 of the Addendum, the Pricing Authority has applied the methodological changes to the national efficient price for 2021–22 (NEP 2021–22) and determined the back-cast NEP 2021–22 for the purposes of determining Commonwealth growth funding estimated between 2021–22 and 2022–23 is \$5,567.

Hence, if we divide the 'native' 2022-23 NEP of \$5,797 by the "back-cast" prior year NEP of 2021-22 of \$5,567, we get an increase of 4.13%.

Cheers,

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Director – Hospital Systems

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The Department of Health acknowledges the Traditional Custodians of Australia and their continued connection to land, sea and community. We pay our respects to all Elders past and present.

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THE FREEDOM OF INFORMATION ACT 1982
BY THE DEPARTMENT OF HEALTH AND AGED CARE

Schedule 6A – Order Variation Template

Parties

- A. Commonwealth of Australia as represented by Department of Health and Aged Care ABN 83 605 426 759 (**Agency**); and
- B. Deloitte Touche Tohmatsu ABN 74 490 121 060 (**Service Provider**)

Recitals

- A. The Agency and the Service Provider are party to an Order dated 12 September 2022 for the provision of Expert services for assessment of 2023 premium applications. Reference ID: E22-207410
- B. The parties wish to vary the Order as provided by this Deed of variation.

The parties agree as follows:

The Order is varied in accordance with the terms set out below. Unless specifically stated in this Order Variation, all terms and conditions of the Order continue unaffected.

1.	Order Variation number	1
2.	Raised by	Agency
3.	Details of change (use attachments if required)	<p>Amend item ‘Order Expiry Date’ [order commencement date and term] to 30 June 2023.</p> <p>No further extension options remain available for this contract.</p> <p>Amend ‘Detailed Statement of Work’ [Statement of Work] to include after existing text, the following:</p> <p>The supplier will provide advice on resubmissions to the 2023 premium round process.</p> <p>The supplier will provide advice on amendments to the premium round application form to improve information gathered for assessment in future premium round assessments and potential changes to future premium round processes.</p> <p>The supplier will provide an update to previous work on the assessment of</p>

		<p>comparability of PHI products for consumers.</p> <p>This assessment will include the migration of policyholders to products with a lower level of cover (i.e. downgrading) or downgrading out of Gold to manage affordability concerns.</p> <p>Amend 'Milestones' [Statement of Work] as follows:</p> <p>Replace '16 December 2022' with '27 January 2023'</p> <p>Amend 'Milestones' [Statement of Work] to add new text after existing text:</p> <p>'February – March 2023</p> <p>Provide written advice on proposed amendments to the premium round application form to improve information gathered for assessment in future premium round processes.</p> <p>February - June 2023</p> <p>Provide an assessment of comparability of PHI products for consumers, accompanied by written report and analysis.'</p>
4.	Implementation date of variation	23 December 2022
5.	Effect on services	Continued service provision
6.	Plan for implementing the change [if any]	Meetings between the Agency and the Supplier in December and January to discuss changes.
7.	Effect on price [if any]	Nil – hourly rate
8.	Effect on service levels [if any]	Nil
9.	Other relevant matters (e.g. transitional impacts)	Nil

Variation to Order:

Expert services for assessment of 2023 premium applications Order Variation 1.

Agency	Department of Health and Aged Care
Name (print)	Brian Kelleher
Position	Assistant Secretary
Signature	
Date	

Service Provider	Deloitte Touche Tohmatsu
Name (print)	s47F
Position	Partner
Signature	
Date	

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