James Downie
Chief Executive Officer
Independent Hospital Pricing Authority
PO Box 483
Darlinghurst NSW 1300

2/11/2016
cc: Ms Jenifer Nobbs Executive Director, Activity Based Funding, IHPA

Dear Mr Downie,

Response to the Independent Hospital Pricing Authority's (IHPA) Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2017-18

We write on behalf of Universities Australia's (UA) – the national peak body for Australian universities. Universities play a key role in educating and training our future health professionals. Such education currently comprises sixteen per cent of all university student enrolments[i]. UA undertakes a health policy and advocacy role to support the sector in this work and is advised in this activity by two main groups: the Health Professionals' Education Standing Group (HPESG) which provides discipline-specific health professional education advice; and a jurisdictional Health Education Workforce Group (HEWG) which injects state and territory views into clinical training and related matters.

Universities Australia acknowledges IHPA's ongoing work in relation to efficient public hospital service delivery, especially Activity Based Funding (ABF) and broadly supports the general direction of this work. UA appreciates the opportunity to make this short submission to IHPA's Public Hospital Pricing Framework 2017-18 Consultation Paper to further contribute to IHPA's work. Our response relates to teaching, training and research matters and specifically as these relate to information outlined in sections 2.0, 4.7, 10.2 and 11.0 of the paper.

Section 2: Pricing Guidelines

There is a solid body of evidence that shows the benefits of trainees to service providers and the importance of ensuring quality and innovation in teaching and training for suitable development of the future health workforce[ii]. UA notes that the current pricing guidelines (see also Box 1 in the Consultation Paper) do not mention the role that teaching, training and research (TTR) play in sustaining high quality health services. **UA recommends that TTR is recognised as a legitimate embedded cost in the Guidelines** and that when considering principles such as the need for pricing/funding neutrality between public and private

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providers, the funding needs to recognise the relative contribution (and resulting expense) to TTR made by different types of health service providers. Given the role that TTR plays in future workforce development UA also urges IHPA to ensure that the system planning guidelines make reference to TTR as essential for the system's future sustainability and quality.

Sections 4.7 and 10.2: Teaching, Training and Research - Classifications used by IHPA to describe public hospital services and Setting the National Efficient Cost respectively

UA is aware that IHPA has recently released its Final Report on the TTR Costing Study and that based on this report, work to develop the classification system for teaching and training has commenced, while the costings and technical specifications for a research classification system will continue to be developed. UA understands that the classification system could underpin the introduction of an Activity Based Funding (ABF) approach to TTR in the Australian public hospital system in future years, although decisions about such implementation ultimately lie with the Council of Australian Governments (COAG).

UA has previously raised a few specific concerns with IHPA about the teaching, training and research costings - both in UA's previous submission to IHPA's 2016-17 workplan (submitted 1 July 2016) and at presentations IHPA has given to HPESG regarding this work. UA appreciates the opportunity to raise such concerns directly with IHPA and reiterates them here.

While we understand that block funding is not the focus of the current consultation, we would also like to draw attention to matters relating to this as outlined in sections 4.7 and 10.2 of the consultation paper - specifically regarding block funding that flows to public hospitals for TTR. UA understands that such block funding will continue in the absence of an ABF approach based on an agreed nationally efficient price for TTR.

In relation to clinical teaching and training specifically, the bulk of this (approximately 75 per cent) currently occurs in public hospitals[iii]. The costs of this teaching and training activity are shared through funding from the Commonwealth, from state and territory governments, and in some disciplines and jurisdictions through direct or indirect contributions made by partner education providers including universities. While information about the total amount of block funding provided by the Commonwealth to each state and territory for teaching, training (and research) purposes are available publically through the National Health Funding Pool[iv], there is currently little transparency about how these funds are expended by each State or Territory's Ministry of Health.

UA understands that IHPA is working towards determining the national efficient price (NEP) for teaching and training across a range of health disciplines through its current teaching and training classification work. UA acknowledges that such work, if based on a broadly agreed

NEP[1] could enhance levels of transparency and accountability in relation to the use of funding for TTR. UA understands however that there is no guarantee this classification will be introduced and even if it is, that its implementation is still some years away.

UA recommends in the meantime that the processes regarding jurisdictional determination of TTR block grant funding and of its subsequent allocations to and use within individual LHNs and hospitals are made transparent. This will assist both universities and funders to ensure that funds allocated for TTR are being used for these purposes.

In relation to research, while the TTR Costing Study demonstrated the feasibility of identifying and costing a product that could form the basis of a teaching and training classification, this was not the case for research. The Report noted that while it might be possible to cost research capability, no relationship between research capability costs and research outputs was identified that would support the development of a classification for research[v]. **UA recommends that the absence of such data should not constrain the funding of research in the 2017-2018 pricing framework for Australian public hospital services.**

UA acknowledges that the TTR Costing Study recognised the major cost driver of research as maintaining research capability. However increased funding to support actual research project delivery within public health services is also critical. Funding mechanisms other than activity based funding may well be required to achieve this.

The current role of public health services as predominantly facilitators of research, while a significant contribution, should not preclude increased activity towards achieving the primary objective of research activity within the public health service, namely: *"...the advancement of knowledge that ultimately aims to improve consumer and patient health outcomes and/or health system performance."*[vi] As subsequent phases of the TTR costing studies progress, maintaining a focus on the primary objective of research activity will be important.

Intellectual leadership in research is critical to the innovations in health services and improvements in patient outcomes. Partnering with universities to integrate health and medical research leadership can enhance both research capacity and outputs related to achieving the primary objective of research activity within public health services. **UA further recommends that funding, and eventually, pricing for TTR supports such connections.**

Section 11: Pricing and Funding for Safety and Quality

UA recognises the importance of safety and quality as fundamental to health care and commends the inclusion of this area in IHPA's pricing work. Given the importance of promoting best practice safety and quality approaches as early as possible in all clinicians, we also strongly urge IHPA to clearly include and link safety and quality with TTR. UA

[1] UA again draws attention to comments made in its previous submission to IHPA's workplan which urges inclusion of the benefits of trainees to public hospitals in any NEP determinations.

appreciates that more time and work with both the Health and Education sectors might be needed to develop a detailed view of how the TTR classification should link with pricing for safety and quality, but the work that has just commenced on a TTR classification should embed the idea of pricing for safety and quality from the beginning. The implications of this might include:

- acknowledging in pricing that TTR improves the flow of quality care over time through the health system
- acknowledging that certain forms of TTR (e.g. interprofessional learning; translational research) might have particularly strong positive impacts on quality and safety and could therefore be incentivised in pricing
- understanding the need for further research into the quality and safety risk differences, if any, between high-load teaching and non-teaching facilities and research-active vs non-research active facilities.

UA would welcome the opportunity to work more closely with IHPA regarding this matter.

Thank you again for the opportunity to make submission to the IHPA Pricing Framework consultation paper. Should you have any questions in relation to this submission, please contact Rachel Yates, Policy Director Health and Workforce – email: r.yates@universitiesaustralia.edu.au or by phone on: 02 6285 8127.

Yours sincerely,

Professor Caroline McMillen
Lead Vice Chancellor Health Professionals Education

Catriona Jackson
Deputy Chief Executive

[i] Data collated from the Department of Education and Training: https://www.education.gov.au/student-data

[ii] Bowles et al 2014. The Costs and benefits of providing undergraduate student clinical placements for a health service organisation: An evidence check rapid review: Sax institute, Hunter and Coast Interdisciplinary training Network and Health Education training Institute (HETI) December 2014. http://www.saxinstitute.org.au/wp-content/uploads/The-costs-and-benefits-of-providing-undergraduate-student-clinical-place....pdf

[iii] Buchanan et al 2014. Student clinical education in Australia: A University of Sydney scoping study. University of Sydney.

[iv] Administrator of the National Health Funding pool: http://www.publichospitalfunding.gov.au/

[v] Independent Hospital Pricing Authority (IHPA) Teaching, Training and Research Costing Study Final Report p8: https://www.ihpa.gov.au/sites/g/files/net636/f/publications/ttr_costing_study_final_report_for_publication.pdf

[vi] Ibid p12