Activity Based Funding
Non-Admitted Services

Non-Admitted Stream

The 2012-13 NSW Health Funding Guidelines provide information on the state funding framework for allocating funds to Local Health Districts and Specialty Health Networks. As part of the funding reforms being implemented nationally, activity based funding (ABF) is being used to fund non-admitted services. The intention in 2012/13 is to continue to block fund these services in NSW although Commonwealth funding to NSW for these services will be on an activity basis.

The following information is a summary of the process and should be read in conjunction with the NSW Funding Guidelines and other ABF fact sheets.

Definition

Non admitted activity represents the highest volume of patient activity for most hospitals. Non-admitted services for activity based funding purposes, are those that meet the definition of a Service Event (SE) which is:

An interaction between one or more healthcare provider(s) with one or more non-admitted patient, which must contain therapeutic/clinical content and result in a dated entry in the patient’s medical record.

NSW collects Occasions of Service (OOS) at present which are defined as:

Any examination, consultation, treatment or other service provided by a health service provider in a non-admitted setting to a client/patient on each occasion such service is provided. Each diagnostic test or simultaneous set of related tests for the one client/patient referred to a hospital pathology or medical imaging specialty consists of one occasion of service. These OOS are converted into service events for funding and reporting purposes.
**Scope**

+ Facilities in scope: Based on the acute admitted ABF policy the threshold for inclusion has been set at 3,500 or more cost weighted separations in 2009/10 which is deemed the base year.

+ Non-admitted activity in scope
  - Activity that is grouped into the National Hospital Cost Data Collection (NHCDC) Tier 2 clinics
  - Ancillary services (ie radiology, pathology, dispensing pharmacy) and interpreter services which can be linked to a service event - costs will be bundled into the service event
  - Community based services are in scope for national ABF funding provided the entities are reported in the 2009/10 Public Hospitals Establishments Collection and the services are directly related/substitute an inpatient or ED attendance or expected to improve the health or better manage the symptoms of persons with physical or mental health conditions

+ Activity that is out of scope:
  - Non-admitted privately referred patients
  - Non-admitted compensable patients
  - Non-admitted Mental Health services (included in shadow funding model)

**Funding Methodology**

+ ABF is a method of allocating funds – based on the activity or outputs of an organisation or service, in this case service events.

+ Essential elements are:
  - *Targets* to specify the volume of activity to be undertaken by a facility/service
  - A *classification system* to group activity into classes with similar clinical profiles and resource use
  - *Costs* to give indicative resource use of forecast activity targets (weighted activity units)
  - A *price* at which the weighted activity will be paid

+ Simply stated: Budget = Price X weighted activity

Each element is described in greater detail in the following sections.

In 2012/13 Non-admitted services will continue to be funded as a total program (ie block funded) in NSW, with activity based funding allocations used on a “shadow” basis to identify and resolve any issues in the methodology and process. The Commonwealth aims to fund states for this service on an activity basis however, so systems and processes will need to be in place to report on an activity basis, in order to comply with national requirements.
**Activity Targets**

Non-admitted activity targets have been derived for 2012/13 based on the available budget and price due to data quality issues.

**Classification**

The Ministry manages a state-wide non admitted data collection for summary and patient level occasions of service. LHDs provide the NSW service type with their submissions and that in turn is mapped to the NHCDC Tier 2 classification using provider and service type.

Non-admitted activity will be shadow funded on the basis of the number of service events mapped to the national Tier 2 clinics. The Ministry will convert reported Non-Admitted Patient Occasions of Service (NAPOOS) to service events mapped to NHCDC Tier 2 clinics and subsequently to weighted service events.

LHDs/SHNs are required to continue to collect and report non-admitted activity by occasions of service (NAPOOS).

Funding for a service event includes related ancillary clinical services (such as diagnostic imaging, pathology, pharmacy and interpreter services) which can be linked to the service event.

**Cost Weights**

Weightings or cost weights are determined for each group which reflect resource use or cost relative to the average based on a national costing study.

**NWAU**

+ Cost weights for the non-admitted clinics will be expressed in terms of a National Weighted Activity Unit (NWAU) for funding purposes
+ LHDs/SHNs will be funded for non-admitted activity on the basis of the NWAU.
+ The NWAU is the ‘currency’ that is used to express the price weights for all services that are funded on an activity basis. It does not replace the classifications that are used to describe activity.
+ It is a scale that identifies the relative weights of each public hospital service so facilities can understand the relative cost between their acute admitted, ED and non-admitted services and make more informed decisions regarding which setting and modality in which to provide care
+ The NWAU is set with reference to the acute inpatient costs. This means that the acute admitted DRG cost weights and relativities form the basis of the NWAU, with ED and non-admitted cost weighted activity expressed relative to the acute weight.
**Pricing and Budget**

+ In setting the state price, the Ministry will take into account actual cost of service delivery, the capacity of the LHD/SHN to generate revenue from other sources, and NSW health priorities and goals.

+ Under the National Health Reform Agreement (NHRA) the amount of health funding NSW receives from the Commonwealth will be fixed for the first two years (2012/13 and 2013/14). From 1 July 2014, the Commonwealth will fund 45% of efficient growth of activity based services.

+ Funding to LHDs/SHNs for activity is based on the state price of $4,471 per NWAU.

+ As ABF budgets to LHDs/SHNs will be allocated on the basis of a fully absorbed price, the state price paid for LHD/SHN services will not necessarily equal the actual payment received by a facility within the LHD/SHN.

**Implementation Checklist - LHD / SHN priority activities**

A number of activities need to be made a priority in order for ABF to be implemented successfully. These include, but are not limited to the following:

+ Review 2012/13 activity targets to reflect current clinical service plans

+ Ensure budget build is aligned with the ABF framework

+ Improve clinical documentation and patient data capture

+ Undertake and review benchmarking and reporting analysis to better understand costs and clinical profiles of facilities

+ Review costing methodology processes

Future improvements to data collection and costing processes, particularly at a patient level, will enable the non-admitted stream to move from a clinic-based funding model to a patient-based funding approach.

**Contacts for further Information**

+ The ABF Taskforce at the Ministry of Health

+ The LHD/SHN representative on the ABF Implementation Committee

+ The LHD/SHN representative on the NSW Non-Admitted Working Group