NSW Comments on 2017 Update New Issues - IHPA data

Thank you for the opportunity to provide comments on the draft Terms of Reference for the Commonwealth Grants Commission's 2020 Methodology Review.

1   Use 2015-16 IHPA data in the 2017 Update when they become available in January 2017

NSW agrees that the Commonwealth Grants Commission (CGC) should use the latest IHPA data when they are available. This aligns with the CGC's supporting principle to deliver relativities that are appropriate to the application year.

2   For the ED component in the Health category, use the number of PHE ED occasions in 2013-14 to estimate the number of ED occasions for hospitals not covered by the EDNMDS

NSW supports the use of the number of PHE ED occasions in 2013-14 to estimate the number of ED occasions for hospitals not covered by the EDNMDS.

3   Continue to use this estimate until the next methodology review or until IHPA advises that the EDNMDS data is sufficiently comprehensive.

NSW supports the use this estimate until the next methodology review or until IHPA advises that the EDNMDS data is sufficiently comprehensive, whichever comes first.

Using the data indefinitely undermines the CGC supporting principle of delivering relativities that, as far as possible, are appropriate to the application year. As the assessment years move into the future, the ED occasions represented by the PHE data will change in unknown ways that may or may not support Horizontal Fiscal Equalisation. There is also the risk of double counting ED occasions.

 Further, the current negotiations between the Commonwealth and the States over spending growth caps for the National Health Reform Agreement are:

- strengthening incentives for the prompt provision of hospital activity data to enable timely reconciliation; and
- raising the possibility that block funded hospitals will be subject to activity based funding in the future.

These reforms will incentivise the States to quickly improve their data collection on ED occasions and improve the data quality of the EDNMDS accordingly.