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**TITLE: PAYMENT PROCESS FOR EXCEPTIONAL EPISODES**

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### **1. Purpose**

The purpose of this bulletin is to describe the payment process that will apply from 2001/02 with respect to exceptional episodes.

### **2. General Principles**

Within its purchasing model the Department of Health (DOH) recognises that some episodes of hospital care involve patients who need to stay much longer than the average, or require unusual or complex treatment. The Exceptional Episode Insurance Pool (EEIP) is a pool of funds specifically set aside to address system-wide management of such exceptional activity.

The EEIP payment process seeks to financially compensate Health Services appropriately for the exceptional episodes that they undertake. At the operational level the EEIP consists of separate General Health and Mental Health sub pools.

The Exceptions Advisory Group (EAG), with representation drawn from DOH and the Health Services, will provide advice to support the EEIP process and related matters.

### **3. Payments from the Exceptional Episode Insurance Pool**

The broad process for making exceptional episode payments to Health Services from the EEIP can be summarised as:

- monthly EEIP payments based on a per diem price equivalent to the Nursing Home Type (NHT) rate routinely provided to Health Services, approximately two months in advance, via the Contract Variation Advice (CVA) process;

- Health Services review all exceptional episodes and submit written claims for those nights of stay that are considered acute (and therefore attract DRG rate payment), and for high cost episodes;
- adjusted EEIP payments provided via the CVA process where Health Service claims in relation to acute nights and high cost episodes are approved;
- EEIP funds remaining after the second and third quarters (as well as towards the end of the year) analysed with the aim of identifying any 'surplus funds' which may be considered for reallocation, eg to recognise the higher costs of care for aboriginal patients in acute facilities.

#### **4. Application of the EEIP Process in 2001/02**

The EEIP process for 2001/02 will focus on three main areas: payments for exceptional nights, payments for high cost episodes, and the allocation of any 'surplus' EEIP funds.

##### **4.1 Exceptional Nights Payments**

Payments for exceptional nights will be made in two stages. All exceptional nights will initially be reimbursed at the Nursing Home Type equivalent rate. Health Services will then be invited to submit claims for reimbursement at DRG rates for any exceptional nights that can be shown to be acute. DRG payments will subsequently be provided for the nights that are accepted to be acute. The claims/payment schedule is detailed below.

##### ***Nursing Home Type Equivalent Rate***

- the October CVA will provide the initial EEIP payment covering six months (based on the activity undertaken from March to August 2001 and reported in HMDS)
- each subsequent monthly payment via CVA will incorporate an additional month's activity as reported in HMDS
- the final (May) payment will cover the twelve month period March 2001 to February 2002

##### ***DRG Rate***

- during November 2001, February 2002 and April 2002 Health Services will submit written claims to DOH for acute payments at DRG rates for exceptional nights of stay
- the November claim covering episodes separated March to August 2001, the February claim covering (additional) episodes separated March to November 2001 and the April claim covering (additional) episodes separated March 2001 to February 2002

- Health Service claims will be analysed by DOH (including coding reviews and reference to EAG as required) and adjusted EEIP payments for approved nights of stay included in CVAs for December 2001, March 2002 and May 2002

#### **4.2 High Cost Episodes Payments**

High cost episodes will be reimbursed on presentation of evidence that the episodes have become exceptionally expensive. This will usually involve episodes that do not have exceptional nights but where the cost of the episode has exceeded \$80,000. The claims/ payment schedule is detailed below.

- during November 2001, February 2002 and May 2002 Health Services will submit documentation to DOH in support of any claims for high cost episodes payments
- the November claim covering episodes separated from July to October 2001, the February claim covering (additional) episodes separated up to February 2002 and the May claim covering (additional) episodes separated up to May 2002 plus work in progress
- Health Service claims will be analysed by DOH (including reference to EAG as required) and approved payments included in CVAs for December 2001, March 2002 and June 2002

#### **4.3 'Surplus Funds' Reallocation**

During January, April and June 2002 DOH (with reference to EAG as required) will analyse the level of funds remaining in EEIP with the aim of identifying potential 'surplus funds' that may be considered for reallocation. In the first instance any reallocation of funds will be aimed at providing a loading on the cost of care of aboriginal patients.

DOH (with reference to EAG as required) will also consider the timing of any release of 'surplus funds' to Health Services via the CVA process, including developing strategies for the reallocation of any residual end of year surplus (via the June CVA).