Independent Hospital Pricing Authority
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To Whom it May Concern

Re: Pricing Framework for Australian Public Hospital Services 2015-16

Australian College of Nursing (ACN) welcomes the opportunity to provide comment on the *Pricing Framework for Australian Public Hospital Services 2015-16* (the Pricing Framework). Our letter highlights a number of key issues below.

ACN as a key national professional organisation for nurses strongly recommends to the Independent Hospital Pricing Authority (IHPA) that the methodology for costing nursing services in the Pricing Framework includes the following two metrics:

- nursing inputs relative to patient care requirements as these directly impact patient health outcomes; and
- quality of care outcomes achieved by nursing inputs.

While nursing services constitute a major input cost for public hospitals it is also known that they generate significant value in terms of patient health outcomes. A large body of empirical evidence consistently indicates that nurse staffing levels and skill mix adequate to meet patients' care requirements positively impact hospital patients' health outcomes. ACN is concerned that the primary data collection may include a cost data component derived from nurse staffing levels and skill mix that is inadequate for meeting patients' care requirements. Should this be the case the primary data collection would result in a National Efficient Price (NEP) insufficient to fund nursing care that meets patients' requirements. For this reason, ACN is of the view that any primary data collection IHPA relies on for the development of the NEP should measure nurse staffing levels and skill mix relative to patients' care requirements.

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As IHPA is reviewing its price setting with a view to amplifying hospital efficiency ACN is concerned about the stronger productivity incentive having possible negative flow-on effects on patient care. A NEP that is not informed by nursing input costs adequate to meet patients' requirements may seriously drive down the quality of nursing care and patient care overall. In the main, quality of nursing care is highly dependent on nurse time per patient, right skill and continuity of care. If nurse time per patient and skill are reduced in order to lower costs, then the quality of care patients receive is highly likely to be negatively affected. If reduced nursing inputs result in loss of quality of nursing care then no true efficiencies are achieved. In the worst case scenario scarce funds may be wasted on ineffective or even harmful care.

For the reasons set out above, ACN believes that measures of nurse staffing levels and skill mix relative to patients' care requirements should become a permanent component of the Pricing Framework. The inclusion of such a metric would ensure that the NEP is derived from nurse staffing levels and skill mix adequate to meet patients' requirements. These metrics are available and have been tested for validity and reliability in Australia[1]. Making transparent the levels of nurse staffing and skill mix used in the primary data collection will have the added benefit of reducing potential conflict over the appropriateness of the input costs used relative to care requirements.

Further, ACN believes that good reasons exist for the Pricing Framework to include Nurse Sensitive Indicators (NSIs). NSIs provide measures of patient outcomes that are strongly influenced by nursing care. NSIs as a metric of quality of nursing care are well established nationally and internationally and expertise on NSIs is available in Australia. NSIs will provide to funders valuable information on the return nursing inputs generate in terms of patient outcomes. Further, the availability of data on nursing inputs as well as outputs in terms of care outcomes, would inform health services on how well the balance between efficiency and quality of care was struck.

Please do not hesitate to contact me if you wish to discuss any of the issues raised in this letter.

Yours sincerely

Adjunct Professor Debra Thoms FACN (DLF)
Chief Executive Officer

25 July 2014

[1] Duffield, CD, Diers, D, O'Brien-Pallas, L, Aisbett, C, Roche, M. King, M, et al.2011,'Nursing staffing, nursing workload, the work environment and patient outcomes', *Applied Nursing Research,* vol.24, no 4, pp. 244-55.