PATHOLOGY FUNDING AGREEMENT

BETWEEN THE

AUSTRALIAN GOVERNMENT

AND THE

AUSTRALIAN ASSOCIATION OF PATHOLOGY PRACTICES

AND THE

ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

AND THE

NATIONAL COALITION OF PUBLIC PATHOLOGY

This Pathology Funding Agreement (the Agreement) is made on the 13th day of April 2011

between the

AUSTRALIAN GOVERNMENT, as represented by the
MINISTER for HEALTH and AGEING

and the

AUSTRALIAN ASSOCIATION OF PATHOLOGY PRACTICES (AAPP)

and the

ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA (RCPA)

and the

NATIONAL COALITION OF PUBLIC PATHOLOGY (NCOPP)

PREAMBLE

1. The Australian Government subsidises access to health services for Australians through the Medicare Benefits Schedule (MBS), including pathology services. The Government has a responsibility to ensure that this funding represents value for money for Australian taxpayers. As accountability for the value of MBS funding ultimately rests with the Australian Government, the Government retains responsibility for setting in place policy and regulations that ensure this.

2. In signing this Agreement, the Parties agree to work cooperatively in order to achieve the key objectives of:

- Maintaining the quality, access and affordability of pathology services;
- Improving the fiscal sustainability of Government outlays on pathology;
- Maximising competition in the pathology sector;
- Improving the integration of pathology with the e-Health agenda;
- Supporting improved quality of requesting of pathology services;
- Providing stability of the regulatory and funding environment in order to encourage investment in continuing improvements in the quality of the service; and
- Recognising the diversity of private, public not-for-profit pathology, small and large, metropolitan and regional providers, ensuring the sustainability of the pathology sector.

TERM OF THE AGREEMENT

3. This Agreement between the Government, the AAPP, the RCPA and the NCOPP outlines the framework for a five-year agreement between these Parties from 1 July 2011 to 30 June 2016. For the purposes of ongoing management of this Agreement, the Government will be represented by the Department of Health and Ageing (the Department).

PRINCIPLES AND OBJECTIVES OF THE AGREEMENT

4. This Agreement is intended to promote value for money from Government outlays relating to the services described in the Pathology Services Table (PST) of the MBS and applicable to this Agreement, through:

- Agreeing to maximum and minimum outlays for each year of the Agreement and to processes for ensuring that outlays are within the agreed range;
- Developing a more transparent mechanism for setting and reviewing schedule fees for PST items, based on better cost information; and
- Improving collection of data through MBS payment arrangements to improve the shared understanding of pathology utilisation.

5. In addition, this Agreement is intended to promote:

- Development of a National Pathology Framework;
- Development of better decision support for pathology requesting to improve the quality and clinical appropriateness of requesting;
- Implementation of electronic requesting and reporting of pathology across the sector;
- Development of appropriate policy and funding mechanisms for genetic testing;
- Ensuring a sustainable workforce for pathology;
- Commitment to the National Pathology Accreditation Advisory Council (NPAAC), National Association of Testing Authorities (NATA)/RCPA laboratory accreditation process by all Parties;
- Ongoing funding for the Quality Use of Pathology Program (QUPP); and
- Commitment to the Government's broader e-Health agenda, including adoption of National e-Health Transition Authority (NeHTA) standards in relation to the Personally-Controlled Electronic Health Record (PCEHR).

6. The Parties acknowledge and agree that this Agreement is not intended to be, and does not create, a legally binding agreement between the Parties, but that it is their intent to be reasonably bound by its terms.

7. This Agreement applies to expenditure for pathology items in the MBS except Extended Medicare Safety Net expenditure arising from pathology services. In calculating outlays targets, any payments made related to the Extended Medicare Safety Net will be excluded from the determination of the actual pathology outlays as they have been excluded from the outlays target.

FUNDING

8. The Parties agree that MBS outlays for the items specified in the PST should be managed to achieve the following outlays targets:

2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m	2015-16 $m
2165.8	2271.9	2384.4	2502.4	2632.5

at agreed annual growth rate caps of:

2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
4.875	4.900	4.950	4.950	5.200

and agreed annual growth rate floors of:

2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
4.375	4.400	4.450	4.450	4.700

Funding Adjustments

9. In August of each year within the period of the Agreement, the Parties will jointly review relevant data to determine whether outlays are within the agreed range.

10. If the Parties agree (or, in the absence of agreement, the Government determines) that outlays are above or below the agreed cap or floor, then the Parties will have until the end of September to negotiate actions to return outlays to the agreed range over the remainder of that financial year. If agreement is not reached by the end of September, then the process described at clause 57 will be followed.

11. The Parties also recognise that where the proposed change is significant, then the term of the adjustment will be negotiated.

12. If following mediation described in clause 58, the dispute is unresolved, the Government may determine which reasonable measures are to be used to ensure the outlays targets referred to in clause 8 are adjusted.

13. The recommended actions will be proposed to the Australian Government, which will decide what action to take and implement any changes to the PST or other relevant policy. It is expected that such changes will generally take effect from 1 November of that year.

14. In addition to the annual outlay reviews, and taking account of advice from the Pathology Agreement Advisory Committee (PAAC), reconsideration of outlays by Government may occur:

a) Where there is growth of at least 3.5% in MBS-eligible consultations, with demonstrable flow-on effects to pathology requesting;

b) Where clinical indications for item/s change, advice will be sought from the Medical Services Advisory Committee (MSAC) in conjunction with the Pathology Services Table Committee (PSTC) on whether the change in clinical indications is safe, effective and cost-effective;

c) Where MSAC recommends funding for a new pathology service;

d) Where the testing method for item/s change, advice will be sought from MSAC in conjunction with the PSTC on relative effectiveness and cost-effectiveness when compared to currently available alternatives;

e) Where pathology sector changes to billing policies, such as increasing patient co-payments, have a significant flow-on effect to Government expenditure growth; and

f) Where Government changes to other health policies have a demonstrable flow-on effect to pathology.

15. The Government will make a decision, on the advice of PAAC and the Department, and MSAC where appropriate, as to whether the impact of the changes identified at clause 14 above on expenditure growth should be funded by Government.

16. Where the Government decides not to fund a particular pathology service through the MBS, the sector may provide that service outside of MBS arrangements.

17. In relation to any funding adjustments contemplated under this Agreement, the Department, taking account of advice from PAAC, will estimate the impact on expenditure using established Government mechanisms and seek Government consideration of a change to the funding cap.

18. Where the Parties agree that a change or combination of changes to the PST would better meet the objectives of this Agreement without a change to the agreed range of outlays, the agreed actions will be proposed to the Government which will decide whether to implement them.

19. The Government agrees that it will not make changes to the PST outside of the processes specified in this Agreement.

Streamlined Billing

20. The Parties will work together to identify mutually beneficial options that streamline billing for pathology, including reviewing pay-doctor cheque arrangements.

Cost transparency

21. The Parties to this Agreement agree to contribute to developing a more transparent mechanism for setting and reviewing schedule fees for PST items, based on better cost information, such as direct costs of individual tests, the indirect costs (overheads) related to providing tests, the costs of collection, and the professional medical and scientific time required to be spent on providing tests.

22. This process will evolve, incrementally working towards increased information collection on the costs of each item, commencing with nomination of no more than five items by the sector that they consider to be under-remunerated. The Government will nominate five items which it considers to be over-remunerated.

23. In addition to the items nominated under clause 22, any new items proposed to be added to the PST, any new methods, or any new indications for existing tests, will be included in this process to allow MSAC to provide advice about their cost-effectiveness.

24. The parties will explore the possibility of implementing a standard mechanism for setting and reviewing schedule fees for the PST by the end of this Agreement.

Episode Cone

25. The Parties to this Agreement will work to agree a mechanism for collection of data for items beyond the GP episode cone, that would be introduced after 2013/14, for the purposes of improving data collection and enhancing the evidence base on which health policy decisions are made.

ADDITIONAL POLICY OBJECTIVES

26. The Parties agree there are a number of additional policy objectives, which may, where appropriate, be funded by Government outside the outlays targets described in clause 8.

National Pathology Framework

27. A National Pathology Framework will be developed by the Parties to this Agreement by 30 June 2012. The objective is to ensure pathology in Australia maintains its existing level of quality, affordability and accessibility. The framework will aim to ensure that:

- The practice of pathology in Australia remains contemporary, in line with equivalent health systems internationally;
- Requesting and test utilisation is evidence-based as far as possible, in the interest of best resource utilisation and outcomes for patients;
- The highest standards of quality and safety in pathology are maintained;
- Pathology services are appropriately and sustainably staffed;
- Appropriate pathology services are accessible, both physically and financially, to all Australians; and
- Diversity of pathology practices is maintained in the interests of patient care, increasing competition and a sustainable sector.

28. The framework will provide the outline for the initiatives below.

E-Health and pathology

29. The Parties acknowledge the Australian Government's agenda to introduce a PCEHR system to be available for all Australians.

30. The Parties agree to work with NeHTA and the Department to include patient healthcare identifiers into pathology records by 1 July 2012.

31. The Parties agree to work collaboratively with NeHTA and the Department to develop and introduce national standards for electronic reporting of pathology results by 30 June 2013.

32. In addition, the Parties agree to work with NeHTA to assist in the inclusion of pathology results in the PCEHR: for large private sector laboratories by 30 June 2013; and for other providers, by 30 June 2014.

33. This will include exploration of possible incentive payments for pathology services linked to the PCEHR.

Decision support for pathology requesting by GPs

34. The Parties acknowledge the flow-on benefits of assisting GPs to better request pathology services, and recognise that there will be up-front costs to the sector as a result of the implementation of these tools, but also that there will be downstream savings. The Parties agree to participate in the development of:

- Electronic Decision Support Tools to assist GPs with pathology decision making tasks;
- Episodic panels – the grouping of clinically appropriate tests into a single item of pathology that a GP can request to diagnose or monitor a particular condition; and
- E-Health initiatives to maximise take-up and integration of electronic pathology requesting into GP desktop software, within a timeframe acceptable to NeHTA.

35. Under Government leadership, the Parties agree to work with the Royal Australian College of General Practitioners (RACGP) and NeHTA to develop these tools, within key milestones:

- In the first year of the Agreement (by July 2012):
    - an agreed approach for taking forward development of Electronic Decision Support Tools; and
    - active engagement with NeHTA on e-Health initiatives.
- By December 2013:
    - significant progress on the development of Electronic Decision Support Tools; and a plan outlining the key steps and timeframe for further progress, and assistance in the development of a business case to encourage the uptake of these tools by requestors; and
    - progress, acceptable to NeHTA, on the take-up and integration of electronic pathology requesting into GP desktop software, and assistance in the development of a business case to encourage the uptake of these tools by requestors.
- By the end of the Agreement:
    - implementation of Electronic Decision Support Tools to assist GPs with pathology decision making tasks; and
    - implementation of e-Health initiatives to maximise take-up and integration of electronic pathology requesting into GP desktop software, acceptable to NeHTA.

Development of a national approach to genetic services

36. The Parties agree to be involved in discussions on developing an approach to genetic services (both somatic and germline), including consideration of financing. A working party will be established by the Government by 30 September 2011 to conduct a review of current genetic testing arrangements, with the working party to provide advice to the Department on possible reforms by 30 December 2012. Should this process result in recommendations or decisions that would affect expenditure through the PST, then the agreed outlays under this Agreement may be varied as discussed in clause 15.

Workforce

37. The Parties to this Agreement commit to working together to maintain a sustainable and expert pathologist and scientific workforce in order to maintain high quality and safe pathology services. The Parties agree to work through the PAAC and its Workforce Advisory Committee to conduct research on staff numbers and workloads. The Workforce Advisory Committee will work collaboratively with Health Workforce Australia (HWA) in undertaking this activity. The Parties agree to approach HWA to conduct as a high priority a comprehensive study of the Australian pathology workforce, including workloads and professional activities. Parties will use their best endeavours to have this workforce study completed by June 2012. Where deficiencies are identified, the Workforce Advisory Committee will advise PAAC as to the actions to be recommended to the Parties to address these deficiencies.

NATA/RCPA laboratory accreditation and Quality Assurance

38. The signatories to this Agreement reaffirm their commitment to the NPAAC regulatory process and the NATA/RCPA laboratory accreditation program as the keystone to supporting quality in pathology. The Parties agree to use their best endeavours to facilitate the availability of staff to participate in NATA/RCPA activities. The PAAC will consider options that could better support availability of staff and provide advice to Government.

Quality Use of Pathology Program

39. The Government commits to provide ongoing funding for the Quality Use of Pathology Program (QUPP). Allocation of QUPP funding will be made based on recommendations of the Department and advice from the Quality Use of Pathology Committee (QUPC). Priorities for QUPP will be determined by PAAC, reflecting the objectives of this Agreement. This will not affect projects already funded or under consideration, which may include:

- Long term funding for Structured Reporting of Cancer Protocols with possible extension into other areas (further, other disciplines of pathology need structured reporting protocols and will require funding via QUPP);
- The Test List Project;
- The trial of sending Structured Cancer Reports to the Cancer Registries electronically; and
- Support for poorly performing laboratories.

Approved Collection Centre compliance

40. The Parties agree to the development of robust compliance mechanisms to ensure that Approved Collection Centre regulation and distribution is adequate and appropriate, including actively working to ensure compliance with Prohibited Practices legislation.

REVIEW OF AGREEMENT OUTCOMES

41. In the first year of the Agreement, the Parties will develop performance indicators to be measured against in a review. These include:

- Management of outlays;
- Transparency of cost data;
- Decision support;
- e-Health;
- Workforce;
- Data collection;
- Quality, access and affordability of pathology services; and
- Competition in the pathology sector.

42. These performance indicators will be subject to continuous review and PAAC will provide an annual report against the indicators to Government.

PERFORMANCE CRITERIA

Management of Outlays

43. Key performance criteria will be achievement of pathology outlays within agreed targets for each financial year of the Agreement or, where this is not achieved in any financial year, the degree to which there has been a return to total target over the two following financial years.

Fee-Setting

44. Key milestones for progress on a more transparent fee-setting process for new pathology items:

- September 2011 – In-principle agreement to the range of costs that should be considered in setting MBS fees for pathology;
- March 2012 – Agreement on how the agreed range of costs should be reflected in developing fees for pathology items that are new to the PST;
- September 2012 – Agreement to process for gathering data relevant to each cost from pathology providers including providers operating in each sector and geographic location;
- December 2012 – First instalment of agreed data from pathology providers;
- December 2013 – Parties to agree on what further data and analysis is required to validate and improve the approach.

Decision Support

45. Scoping of electronic decision support systems that reflect clinical appropriateness guidelines agreed between the RCPA and the RACGP by July 2012 as per clauses 34 and 35.

GOVERNANCE ARRANGEMENTS

46. A Pathology Agreement Advisory Committee (PAAC) will be established to oversee and provide advice to Government on the Agreement. The PAAC will be made up of representatives of the signatories to this Agreement. The PAAC will be supported by three new sub-committees to provide expert advice. Any matter on which the Government might adjudicate under this Agreement will be considered by PAAC and its advice provided to Government.

47. The membership of PAAC will be comprised of three AAPP nominees, three RCPA nominees, and one NCOPP nominee. The First Assistant Secretary, Medical Benefits Division will chair PAAC, and there will be two additional Departmental members. Members will be able to nominate observers, with the agreement of the Chair. NCOPP and Catholic Health Australia will each have a nominated observer. PAAC will regularly review both membership and observers to ensure that there is appropriate representation across the pathology sector.

48. As a consistent part of its agenda, PAAC will engage with Medicare Australia on compliance.

49. PAAC will develop its own Terms of Reference and an annual workplan, with the aim of giving all parties confidence in the Agreement and its outcomes.

50. A Demand Management Advisory Committee will be established to provide advice to the PAAC on likely trends in expenditure and will particularly examine new and emerging technologies/tests to identify potential high cost procedures that will impact on the forecast expenditure. This will encompass the role of the former Statistics sub-committee of PSTC. This committee will also consider issues of demand management.

51. A Workforce Advisory Committee will be established to provide advice to the PAAC (and NPAAC as required) about workforce issues and oversee projects to improve understanding of current and projected workforce needs.

52. A Finance Committee will be established to provide advice on management of outlays and costs for pathology MBS fees, and is likely to comprise business representatives from the pathology sector.

53. Membership of the sub-committees referred to in clauses 50, 51 and 52 will be determined by PAAC and the Department. The Department will be represented on each sub-committee.

54. QUPC will also report to PAAC.

55. PSTC will report formally to MSAC and PAAC. The PSTC will be an expert committee with members selected for their expertise and should include clinicians, health economists; pathologists from various disciplines; evidence-based medicine; and a mixture of practitioners with public and private sector expertise. PSTC's workplan will be principally driven by PAAC.

56. The Department will provide secretariat and data support for all committees.

Dispute Resolution

57. If agreement cannot be reached on a matter, the matter shall be held in abeyance for 28 days from the date of the meeting. During this period of abeyance the Parties shall be required to use their best endeavours to resolve this matter. A special meeting will then be held to try to reach agreement.

58. If agreement cannot be reached after 28 days, then mediation will occur. The mediation process will be as follows and must be finalised within 60 days:

a) the matter may be referred to a mediator, agreed to by the parties in dispute, for mediation. If the Parties can not agree on a mediator, the matter will be referred to the Institute of Arbitrators and Mediators Australia to appoint a mediator; and
b) each Party shall be responsible for all its own costs associated with mediation.

59. If, after all reasonable efforts have been made to reconcile a dispute, any Party to the Agreement considers the issue to be irreconcilable, that Party may, by notice in writing to all other Parties, terminate its participation in the Agreement.

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Nicola Roxon
Minister for Health and Ageing
on behalf of the
Australian Government
Date: 13/4/11

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President
Australian Association of Pathology Practices
Date: 11/04/2011

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President
Royal College of Pathologists of Australasia
Date: 12/04/2011

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President
National Coalition of Public Pathology
Date: 12/4/11