

ABF Information Series No. 8

Mental Health

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Specialised public mental health services are a key part of the Australian health service network. They are organised as integrated services, delivering care across a range of settings including acute, rehabilitation, non-acute, residential, outpatient and community ambulatory settings as well as in people's homes. State and territory specialised mental health services accounted for \$3.3 billion of recurrent expenditure in 2007-08, representing 10-12% of total state and territory spending on health services. Broadly, the sector covers:

- 6,550 hospital beds, two thirds of which are located in public acute hospitals;
- Approximately 900 community mental health and outpatient service outlets, that deliver 6 million service contacts annually;
- 2,200 residential beds located in community settings; and
- Approximately 22,000 FTE health care professionals, many of whom work across treatment settings.

Following reforms over the past 15 years, the majority of state and territory specialised mental health services are now auspiced by public hospitals. In most areas of Australia, mental health services provided in the community and hospitals operate as a single system of care, with a designated budget and integrated clinical governance arrangements.

A central element of the national reform plan agreed by the Council of Australian Governments is to introduce Activity Based Funding (ABF) as the basis of Commonwealth funding for public hospital services, with the first payments to be made on that basis from 1 July 2012. As noted in ABF Information Paper 1, it is only possible to use ABF if you can define, classify, count, cost and pay for each activity in a consistent manner.

The COAG agreement recognises five different types of activities to be funded under ABF:

- Acute inpatient admissions such as surgery, medical admissions, maternity and paediatrics
- Emergency department services
- Sub-acute care (both inpatient and outpatient) such as rehabilitation and palliative care
- Outpatient services
- Hospital-auspiced community health services such as home nursing and post acute care.

Each activity type should have its own classification system. Only acute inpatient care has a nationally adopted classification to define and count the activity to be funded via ABF. This classification is the Australian-Refined Diagnosis Related Group (AR-DRG) classification. Interim classifications have been adopted for emergency department services, subacute care and outpatient services.

Implications for mental health services

As the COAG agreement does not place specialist mental health services into any one distinct activity for ABF purposes, its funding will be split into the activity types listed above. The implications for mental health need to be clearly understood.

The DRG classification is such a poor predictor of the cost of mental health care that it is not used for this purpose in any Australian state or in other comparable countries such as the UK or the USA. Further, one interim classification that has been adopted (AN-SNAP for sub-acute and non-acute care) was not designed for specialist mental health except for a narrow range of specialist mental health care for older people. This is not surprising because, despite widespread use of the term in recent times, there is no national definition of sub-acute mental health and mental health has never before been included in any national sub-acute care initiative.

With mental health being split across the five different activity types, the outcome will be to fragment integrated hospital and community services by applying different funding arrangements across service components. There will also be incentives to treat patients in the settings that are the most profitable. For example, introduction of ABF in acute admitted psychiatric services without an equivalent ABF model in the community will create incentives to hospitalise, resulting in an increase in hospital admissions and a decrease in care in the community. These incentives are not consistent with national or state mental health policies and are not compatible with either good clinical practice or current mental health legislation that requires the least restrictive form of care consistent with safe and effective treatment.

A mental health classification system

Specialist mental health care needs to be nationally recognised as distinct ‘activity’ for ABF purposes and as a specific care type. An integrated approach to mental health funding will promote continuity across treatment settings and neutralise the incentive to provide care in a particular setting.

Developing a specific approach for mental health would align ABF with national policy directions which have explicitly aimed to bring hospital and community services together into a single care system. It would also recognise that mental health services are generally treated differently at the political, legal and administrative levels from other health care services. Examples of this include the fact that most jurisdictions have nominated Ministers for Mental Health, and have separate global budgets that are quarantined from other health funding.

A ‘first generation’ mental health casemix classification, MH-CASC, was developed in the late 1990s, funded by the Commonwealth and advocated by state and territory governments of the day that understood that AR-DRG based systems were not suitable for mental health. It captured patient cost drivers other than diagnosis and covered both hospital and community care settings.

Since its development, states and territories have been progressively putting systems in place to collect the required patient-level information to allow further development and improvement. The data collection, the ‘Mental Health – National Outcomes and Casemix Collection’ (MH-NOCC) is now reported annually to the Commonwealth and provides a strong foundation for building an integrated ABF system specifically for mental health. More information on MH-NOCC can be found at <http://amhocn.org>.

Until that work is completed, mental health should be considered as one of the services that is best funded by block grants. The February 2011 agreement by COAG clearly allows scope for this; Clause 30 states “Block grants would also be used to fund other COAG-agreed services that are difficult to manage on an ABF basis”.