



# Indigenous Australians' Health Programme Primary Health Care Funding Model Technical Factsheet

## Overview & Calculation Steps

### Purpose

This Factsheet provides technical details on how the Indigenous Australians' Health Programme (IAHP) Primary Health Care Funding Model is constructed and each of the calculation steps.

### Model structure

The IAHP Primary Health Care Funding Model (the Funding Model) combines **capitation** and **activity** with **adjustments** to **distribute available funding** based on a transparent calculation for each service. Each of these key terms are described in Table 1, below.

**Table 1. Definition of Funding Model terms**

<b>capitation</b>	<p>A capitation model pays a set amount for each person enrolled at a service. As Aboriginal Community Controlled Health Services (ACCHS) do not enrol their clients, the number of clients collected through the Online Services Report is used instead.</p> <p>Providing a payment for each client acknowledges that ACCHS deliver many services that are not clinical activities and for which Medicare cannot be claimed.</p>
<b>activity</b>	<p>An activity-based model pays a set amount for each service delivered to a client. Medicare is an activity-based payment model.</p> <p>The Funding Model uses Episodes of Care from the Online Services Report to estimate the amount of clinical activity that an ACCHS has completed.</p>
<b>client numbers</b>	<p>This refers to the total number of individual clients who received health care from staff or visiting health professionals at an ACCHS during the financial year (1 July to 30 June). A client is not counted if they only attended groups and did not receive individual care, or if they only used transport services.</p> <p>This method of counting clients is used in the Online Services Report and has remained consistent since 2006.</p>
<b>Episodes of Care</b>	<p>An Episode of Care is a contact between an individual client and a service, with one or more staff, to provide health care within one calendar day. All contacts on the one day are treated holistically as one Episode of Care. Participation in a group, transport and administrative services are not counted towards Episodes of Care.</p>

This method of counting Episodes of Care is used in the Online Services Report and has remained consistent since 2006.

**adjustments** The cost of delivering Primary Health Care varies widely across Australia. The location of clinics and the health care needs of clients strongly affect the cost of service delivery.

The Funding Model uses the location of service delivery (based on the Remoteness Structure component of the Australian Bureau of Statistics' Australian Statistical Geography Standard, ASGS) and an estimate of the health care needs of clients (based on the Indigenous Relative Socioeconomic Outcomes index, IRSEO, and a measure of Years of Potential Life Lost, YPLL) to adjust the amount of funding each service is calculated to receive.

For more information about location and need, please see the Funding Model Technical Factsheets on **Location** and **Health Care Need**.

**distribution of available funds** The Funding Model distributes the amount of available funding amongst ACCHS that deliver Primary Health Care. This means that the unit costs for clients and Episodes of Care are based on the amount of funding available.

## Counting Indigenous and non-Indigenous clients

The purpose of the IAHP is to provide Aboriginal and Torres Strait Islander people with access to effective, high-quality, comprehensive, culturally-appropriate primary health care across Australia. Given this, no more than 15% of an ACCHS' total number of Clients and Episodes of Care will count towards the total in the Funding Model if delivered to non-Indigenous people.

Table 2, below, shows two scenarios:

- Service A has 600 clients. All of the Indigenous clients are counted in the Funding Model (510 clients) plus no more than 90 non-Indigenous clients (15% of 600). All 600 clients are counted in the Model.
- Service B also has 600 clients. As for Service A, all Indigenous clients are counted in the Funding Model (450 clients) plus no more than 90 non-Indigenous clients. In this case, 540 of Service B's 600 clients are counted in the model.

**Table 2. Example of counting non-Indigenous clients**

Name	Total clients	Indigenous clients	Non-Indigenous clients	% Indigenous clients	Clients in Model
Service A	600	510	90	85%	600 (510+90)
Service B	600	450	150	75%	540 (450+90)

Episodes of Care are counted in the Funding Model using the same calculation.

## Adjusting for location and health care need

The total number of Clients and Episodes of Care are adjusted based on clinic locations and the health care need of clients. The adjustments are made to account for the different cost of service delivery in different locations and for different populations.

Clinic locations are in one of five categories based on the ABS ASGS Remoteness Structure. Costs associated with clinic location are lowest in Major Cities of Australia, so no multiplier is assigned to this category. Multipliers in other categories are calculated in relation to the 'Major Cities' category – so, clinics in Outer Regional Australia are calculated to face costs 1.26 times the cost of a clinic in a Major City.

**Table 3. Location multipliers**

Category name	Location multiplier
Major Cities of Australia	1.00
Inner Regional Australia	1.11
Outer Regional Australia	1.26
Remote Australia	1.73
Very Remote Australia	1.75

Clinics are also categorised into one of five categories in terms of the health care need of clients. Multipliers are calculated in relation to the 'least need' category – so a clinic in category 2 is calculated to face costs 2.51 times a clinic in category 5, based on the health care needs of clients.

**Table 4. Health care need multipliers**

Category name	Health care need multiplier
5 (least need)	1.00
4	1.17
3	1.77
2	2.51
1 (most need)	3.21

The two multipliers are combined to produce a final multiplier for each combination of location and health care need, as shown below.

**Table 5. Combined multipliers (location and need)**

	5 (least need)	4	3	2	1 (most need)
Major Cities of Australia	1.00	1.18	1.77	2.52	3.22
Inner Regional Australia	1.11	1.30	1.96	2.78	3.56
Outer Regional Australia	1.26	1.48	2.23	3.17	4.06
Remote Australia	1.73	2.03	3.05	4.34	5.55
Very Remote Australia	1.75	2.05	3.09	4.38	5.61

For more information on how multipliers for location and health care need were determined, please see Funding Model Technical Factsheets on **Location** and **Health Care Need**.

## Calculation of unit costs

As noted above, the Funding Model uses both the number of clients and the number of Episodes of Care for each ACCHS. Each of these two components is assigned one half of the available funding under the IAHP in order to calculate a unit cost for each.

The unit costs for each Client and Episode of Care are calculated based on the total amount of each item in the reference year (2018-19) divided by one-half of the funding available to services in the Funding Model.

$$\frac{\text{Total number of Clients at all ACCHS}}{50\% \text{ of available funding}} = \text{Unit cost per Client}$$

$$\frac{\text{Total Episodes of Care delivered by all ACCHS}}{50\% \text{ of available funding}} = \text{Unit cost per Episode of Care}$$

The unit costs in the Funding Model are:

- Unit cost per client = \$205.33
- Unit cost per Episode of Care = \$24.66

## Model-calculated funding amounts

For each ACCHS in the Funding Model, a model-calculated funding amount is determined. The formula for this amount is:

- For each clinic location run by the ACCHS:
  - The number of clients, multiplied by the location/need multiplier, multiplied by the unit cost per client, plus
  - The number of Episodes of Care, multiplied by the location/need multiplier, multiplied by the unit cost per Episode of Care.
- All clinic location totals for an ACCHS are summed.

Expressed as a formula:

$$\begin{aligned} & \text{Clinic A Clients} \times \text{multiplier} \times \text{client unit cost} \\ & \quad + \\ & \text{Clinic A EoC} \times \text{multiplier} \times \text{EoC unit cost} \quad = \text{model calculated funding} \\ & \quad + \\ & \text{Clinic B Clients} \times \text{multiplier} \times \text{client unit cost} \\ & \quad + \\ & \text{Clinic B EoC} \times \text{multiplier} \times \text{EoC unit cost} \\ & \quad \text{etc for each Clinic} \end{aligned}$$

## Model implementation

For each ACCHS, the model-calculated funding is compared to current funding (in the 2019-20 financial year).

ACCHS whose model-calculated funding is **lower** than their current funding are offered their 2019-20 funding amount plus wage indexation<sup>1</sup> in each of the three Agreement years (2020-21, 2021-22 and 2022-23).

ACCHS whose model-calculated funding is **higher** than their current funding are offered additional funds plus indexation, a share of \$90 million over three years from 2020-21 to 2022-23. The amount of additional funds offered to each ACCHS is a percentage of the funds available in each financial year, representing the size of the gap between current and model-calculated funding, up to 15% of

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<sup>1</sup> Wage indexation rates will vary as per the Department of the Treasury calculations



the ACCHS' total 2019-20 funding amount.

Expressed as a formula:

$$ACCHS\ A\ modelled\ funding - ACCHS\ A\ actual\ funding = ACCHS\ A\ funding\ gap$$

$$ACCHS\ A\ funding\ gap + ACCHS\ B\ funding\ gap + \dots + ACCHS\ N\ funding\ gap = total\ gap$$

$$\frac{ACCHS\ A\ funding\ gap}{total\ gap} = ACCHS\ A\ gap\ \%$$

$$\begin{aligned} Available\ funding \times ACCHS\ A\ gap\ \% \\ = ACCHS\ A\ additional\ funds\ (up\ to\ 15\% \text{ of } ACCHS\ A\ 2019 - 20\ funding) \end{aligned}$$

### **Who do I contact for more information?**

For further information about the new IAHP Funding Model, please email

[IAHPFundingModel@health.gov.au](mailto:IAHPFundingModel@health.gov.au).

## Worked example

The following example combines all of the above procedures to illustrate the calculation of additional funding for an ACCHS. The figures used in this example have been selected to illustrate the calculation and do not represent any actual ACCHS.

ACCHS A operates three clinic locations – a main clinic, one additional service outlet and an outreach service. The location, need category and activity for this ACCHS are displayed in Table 6, below.

**Table 6. Example ACCHS information**

	Location	Need category	Indigenous clients	Indigenous EoC	Total clients	Total EoC
<b>Clinic A (main location)</b>	Outer Regional	3	550	3000	600	3300
<b>Clinic B (service outlet)</b>	Outer Regional	2	200	1000	300	1500
<b>Clinic C (outreach)</b>	Remote	2	100	500	110	550
<b>TOTAL</b>			850	4500	1010	5350

### Step 1. Counting clients and Episodes of Care

The first calculation is applied to the activity reported by the ACCHS. No more than 15% of an ACCHS' total clients or EoC can come from services to non-Indigenous people.

As Clinic A and Clinic C provided services to a relatively small number of non-Indigenous clients (8% and 9%, respectively), all of their clients and

EoC are counted in the model. At Clinic B, 33% of services were provided to non-Indigenous people. Clinic B can only count 15% of their total clients and EoC from non-Indigenous people, so the model only considers 45 clients (15% of 300) and 225 EoC (15% of 1500) from the non-Indigenous cohort. This results in 245 clients and 1225 EoC at this location, as shown in Table 7, below.

Table 7. Example ACCHS counting clients and EoC

	Indigenous clients	Indigenous EoC	Non-Indigenous clients	Non-Indigenous EoC	Total clients	Total EoC	Indigenous client %	Indigenous EoC %	Clients in model	EoC in model
<b>Clinic A (main location)</b>	550	3000	50	300	600	3300	92%	91%	600	3300
<b>Clinic B (service outlet)</b>	200	1000	100	500	300	1500	67%	67%	245 (200 + 45)	1225 (1000 + 225)
<b>Clinic C (outreach)</b>	100	500	10	50	110	550	91%	91%	110	550
<b>TOTAL</b>	850	4500	160	850	1010	5350	84%	84%	955	5075

### Step 2. Multipliers for location and health care need

The next step in the model is to locate the correct multipliers for location and health care need and apply these to client numbers and Episodes of Care.

In this case, each of the three clinics have a different combination of location and need category. The three relevant multipliers are highlighted in Table 8, below.

Table 8. Combined multipliers (location and need)

	5 (least need)	4	3	2	1 (most need)
Major Cities of Australia	1.00	1.18	1.77	2.52	3.22
Inner Regional Australia	1.11	1.30	1.96	2.78	3.56
Outer Regional Australia	1.26	1.48	2.23	3.17	4.06
Remote Australia	1.73	2.03	3.05	4.34	5.55
Very Remote Australia	1.75	2.05	3.09	4.38	5.61

The location and need multipliers are applied separately to the number of clients and EoC counted in the model (at each clinic). As shown in Table 9,

this results in 2,591 clients and 13,622 EoC counted towards this ACCHS for the purpose of the Funding Model.

**Table 9. Application of location and need multipliers**

	Location	Need category	Location and need multiplier	Clients in model	EoC in model	Weighted clients	Weighted EoC
<b>Clinic A (main location)</b>	Outer Regional	3	2.23	600	3300	1338	7360
<b>Clinic B (service outlet)</b>	Outer Regional	2	3.17	245	1225	775	3874
<b>Clinic C (outreach)</b>	Remote	2	4.34	110	550	478	2388
<b>TOTAL</b>				955	5075	2591	13622

### Step 3. Model-calculated funding

Once weighted clients and EoC are determined using the location and need multipliers, these figures are multiplied by the unit costs for clients and EoC to determine a model-calculated funding amount.

The unit cost for clients is \$205.33. For EoC, the unit cost is \$24.66. This results in model-calculated funding to this example ACCHS of \$868,629.

**Table 10. Model-calculated funding**

Unit cost, clients	Unit cost, EoC	Weighted clients	Weighted EoC	Model-calculated funds to clients	Model-calculated funds to EoC	Model-calculated total funds
\$205.33	\$24.66	2,593	13,633	\$532,373	\$336,256	\$868,629

### Step 4. Comparison of modelled funding with actual funding

Once a model-calculated funding amount is determined, this is compared with the amount of funding provided to the ACCHS in the 2019-20 financial year. In this example, ACCHS A received less funding in 2019-20 than the model-calculated amount. The gap is \$368,629.

If ACCHS A had received more funding than the model-calculated amount, future funding would be calculated as the 2019-20 amount plus indexation.

**Table 11. Comparison between model-calculated and actual funding**

<b>Model-calculated total funds</b>	<b>Current (2019-20) funding</b>	<b>Funding difference</b>
\$868,629	\$500,000	\$368,629

**Step 5. Calculation of final funding offer**

For ACCHS whose model-calculated funding is lower than the funds received in 2019-20, a proportion of the additional funds available is allocated. This is the case for the example ACCHS A.

The amount of additional funding offered is a proportion of the total funds available, up to 15% of the 2019-20 funding amount. As the

proportion of the gap that ACCHS A would be allocated is larger than 15% of the 2019-20 funding amount, ACCHS A is offered 15% of the 2019-20 amount (\$75,000). Additional funds are offered in each of the three years, as the total amount offered to ACCHS A does not fully close the gap between actual funding and the model-calculated funding amount.

**Table 12. Calculation of funding offer**

<b>Funding difference</b>	<b>Total funding gap (all ACCHS)</b>	<b>ACCHS A proportion of total gap</b>	<b>Total available additional funds, Year 1</b>	<b>ACCHS A additional funds</b>	<b>15% of ACCHS A 2019-20 funding</b>	<b>Year 1 additional funding</b>	<b>Year 2 additional funding</b>	<b>Year 3 additional funding</b>
\$368,629	\$50,000,000	0.74%	\$15,000,000	\$110,589	\$75,000	\$75,000	\$75,000 (\$150,000 cumulative)	\$75,000 (\$225,000 cumulative)