

## Annual Statement of Reasonable Fee Increase Methodology

Type of Paper:	DECISION
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Consultation List:	GPNZ
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### Recommendations

It is recommended PSAAP:

1. **Note** that the ASRFI/Sapere methodology:
  - a. Is a minimum of 6 months out-of-date as at the implementation date of 1 July each year
  - b. Results in each and every cost pressure being unfunded for a period of between 6 and 18 months
  - c. Includes a Labour Cost Index - the health care and social assistance LCI – which is not granular enough to account for the direct and significant impact of GP and general practice nurse salaries/wage rates upon general practice (diluting such costs across a much broader denominator of health and social positions)
  - d. Does not include the impact of any one-off or exceptional circumstances
  - e. Does not include the impact of activity volume increases (other than new patient enrolments)
2. **Agree** that the ASRFI methodology requires more development to accurately calculate the annual cost increases which general practice is subject to.
3. **Agree** that the development of the ASRFI should be progressed as a matter of urgency and through a process of co-design and agreement with contracted providers.

### Contract Reference

The Annual Statement of Reasonable Fee Increase (ASRFI).

### Purpose

The purpose of this paper is to highlight the deficiencies in the ASRFI methodology and particularly in light of experience from the 2021 cost increase upon general practice.

## Discussion

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This paper has been prepared in light of the 2021 experience regarding the accuracy of the ASRFI methodology in calculating cost increases being faced by general practice.

PSAAP are advised that ASRFI was the subject of a previous paper to PSAAP (#1902) in February/March 2020) which resulted in some changes to the weightings of the ASRFI indices. Those changes have not addressed the issues raised in this paper.

The ASRFI methodology includes a number of significant limitations in its ability to calculate the cost increases to which general practice is subject each year:

1. The methodology uses a number of components/indices from the March, June, September and December quarters of the preceding calendar year (e.g. 2020 indices for implementation 1 July 2021). The retrospective nature of the ASRFI methodology means that the data is a minimum of 6 months, and a maximum of 18 months out of date as at the implementation date of 1 July each year.
2. The retrospective nature of the methodology also means that there is a delay of between 6 and 18 months between general practice being subject to each cost pressure and the date at which the ASRFI or capitation funding may be adjusted to incorporate the cost pressure. That period of up to 18 months remains permanently unfunded for every cost pressure.
3. The Labour Cost Index (LCI) used – the health care and social assistance LCI – includes such a large denominator that the actual cost impact (for example of the real salary/wage pressure for nurses and GPs) upon general practice is significantly diluted and its impact upon the ASRFI becomes lost, negligible and inaccurate/understated.
4. The methodology does not include any provision for exceptional or one-off costs which can often occur (e.g. one-off COVID costs re premises or general compliance costs).
5. The methodology does not provide for activity volume increases such as increases in the number of consultations per patient due to factors including secondary to primary care shifts, rising demand due to the extension of free (or low-cost CSC) consultations. It is acknowledged that the capitation structure does fund practices for increases in patient numbers, but not for increases in activity levels per patient.