INDIGENOUS HEALTH SERVICES PHARMACY SUPPORT (IHSPS) PAYMENT MODEL

The following document provides information on how IHSPS annual budgets are calculated for Indigenous Health Services **(IHSs)**.

To calculate a fair weighting mechanism for this program, three key factors are taken into consideration:

- The total number of IHSs eligible to participate
- Whether the IHS is approved to participate in the Remote Area Aboriginal Health Services **(RAAHS)** Program, and
- The total number of clients (weighted) reported for each IHS.

An IHSs annual budget is calculated as follows:

IHS Annual Budget = Base Rate + Approved Outstation Loading (if applicable) + Client Allowance

A summary of each of the components can be found under the relevant headings below.

Base Rate

The Base Rate per participating IHS is $3,000.

Approved Outstation Loading

IHSs that are an approved RAAHS are asked to list RAAHS Approved Outstations in their annual registration and will receive an additional loading of $3,000 per outstation.

Client Allowance

The Client Allowance for each individual IHS is calculated using the following formula:

Client Allowance = "client unit rate" x "weighted client number"

Where the:

- **"Client unit rate"** is a set rate per cycle determined by subtracting the total sum of Base Rates and Approved Outstation Loading allowances for all participating IHSs from the initial IHSPS Program funding pool, and dividing the funds remaining by the sum of total weighted clients for the Program

- **"Weighted client number"** is the total of number of Aboriginal and Torres Strait Islander clients reported to the Pharmacy Programs Administrator during annual registration for that IHS multiplied by the IHS's relevant weighting. IHSs that are an approved RAAHS will have their reported client number doubled to increase their weighting. This is applied to ensure additional support is granted to IHSs in more remote localities. Non-RAAHS IHSs will have a weighting of 1 applied (i.e. their reported client number = their weighted client number)

Additional Information

Rounding
Once the IHS Annual Budget has been calculated, the actual figure will be rounded to the nearest dollar as a practical measure to improve usability of the Work Plan template.

Example Calculations

The following calculations and figures used are for illustrative purposes only.

For example, following closure of the registration period, and allocation of the Base Rate plus any applicable Approved Outstation Loadings, there could be around $2,610,000.00 to be allocated amongst participating IHSs. This amount was determined by subtracting the amounts for the Base Rate and RAAHS Approved Outstation Loading from the initial funding pool.

In this example, there are 164,821 Approved RAAHS clients and 281,599 clients from other non-RAAHS IHSs. After applying the weighting (doubling) for Approved RAAHs clients, the sum of total weighted clients for the Program is 611,241. The funding remaining after base rate allocation is then divided by the sum of total weighted clients for the Program (for example: $2,610,000.00 ÷ 611,241 weighted clients) gives a client unit rate of $4.27.

The individual budget per IHS is then calculated as follows:

A = $3000 + ($3000 x Y) +($4.27 x Z)

For this example, consider that:

Y = Number of approved outstations

Z = Weighted client number for that IHS

If we consider a theoretical non-RAAHS Service with 1,500 reported clients served and no outstations, they will receive an allocation of $9,405 which is calculated as follows:

A = $3,000 + ($3,000 x Y) + ($4.27 x Z)

= $3,000 + ($3,000 x 0) + ($4.27 x 1,500)

= $3,000 + $0 + $6,405

= $9,405

However, if we consider a theoretical RAAHS Service with 1,750 reported clients and 2 outstations, they will receive an allocation of $23,945 which is calculated as follows:

A = $3,000 + ($3,000 x Y) + ($4.27 x Z)

= $3,000 + ($3,000 x 2) + ($4.27 x 3500)

= $3,000 + $6,000 + $14,945

= $23,945