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National Commission of Audit

26 November 2013

1. Background

The Victorian Healthcare Association (VHA) is the peak body representing the public healthcare sector in Victoria. Our members include public hospitals, rural and regional health services, community health service, aged care facilities and Medicare Locals. Established in 1938, the VHA promotes the improvement of health outcomes for all Victorians, from the perspective of its members.

The VHA welcomes the opportunity to assist the National Commission of Audit in examining the scope for efficiency and productivity improvements across Commonwealth expenditure. The VHA agrees to this submission being treated as a public document and being cited in any reports that may result from this consultation process.

2. Scope of government

The architecture of Commonwealth-State relations and the split of roles and responsibilities between the Commonwealth government and State and Territory governments

The VHA's primary concern relating to the architecture of Commonwealth-State relations regards the split in funding of health services between the two levels of government. The split in funding responsibility makes it extremely challenging to develop comprehensive policies at either the national or state level. Specifically, the funding split results in gaming, blame and cost shifting between levels of government, poor service coordination, and service duplication.

In October 2012, Victorian hospitals experienced the impact of gaming firsthand after the then Commonwealth government announced a funding cut of $107 million in the 2012-13 Mid-Year Economic Fiscal Outlook. The funding reduction was based on an incorrect use of population growth statistics which indicated that in 2011 Victoria's population had fallen by 11,111 people. Although the funding was eventually returned, the five month delay created significant disruption to Victorian patients and hospitals:

- adding 2,370 Victorians to the elective surgery wait list in 2012-13;

- disrupting planned surgery for 3000 Victorians in 2012-13; and,
- impacting hospitals' performance in a way that is not immediately repairable[1].

The VHA supports the split of roles and responsibilities for the States and the Commonwealth that is articulated in the National Health Reform Agreement (NHRA). Under that agreement States are the system managers of the public hospital system; and the Commonwealth has full funding and program responsibility for aged care (except where otherwise agreed) and has lead responsibility for GP and primary health care[2].

Recommendation:

1. That the Commission recommends to the Commonwealth Government that is adheres to the spirit and terms of the National Health Reform Agreement.

The Commonwealth-State funding split is also impacting the integration of health services. The existence of multiple funding streams from Commonwealth and State sources has resulted in a fragmented health system which does not incentivise service integration and coordination. One area where this is particularly apparent is the primary and acute interface, where there is a lack of integration and coordination between hospital services and primary health services. A lack of service coordination between health services can lead to poor continuity of care, resulting in potentially avoidable, and expensive, negative health outcomes such as unnecessary hospitalisation. As a key driver of health service behaviour funding arrangements must complement, rather than contradict, health system objectives.

The Commonwealth-State funding division has also resulted in the existence of overlapping and duplicate programs and services. At the Commonwealth level, there has been growth in the number of authorities monitoring the performance of health services. A significant amount of time and resources are invested by health services in collecting, collating and reporting to various agencies. This also impacts other organisations and consumers wishing to utilise or access the data as there may be multiple data sources on the same subject using different methodologies. Significant resources are also expended by those agencies that collate and analyse the data provided by health services.

[1] Source: "Federal Government Cuts to Promised Funding" Victorian Department of Health, 2012
[2] Source: "National Health Reform Agreement" Council of Australian Governments, August 2011, Page 4

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One area of potential duplication concerns the work of National Health Performance Authority (NHPA) and the Australian Institute of Health and Welfare (AIHW). For example, there is significant overlap between the *Australian hospital statistics 2012-13: emergency department care* (prepared by the AIHW) and the *Hospital Performance: Time patients spent in emergency departments* (prepared by the NHPA). Both of these reports, which are substantial in size, analyse the extent to which hospitals comply with National Emergency Access Targets (NEAT). The VHA questions the need for two Commonwealth agencies to monitor and report on NEAT targets.

In the area of capital investment, health services may currently apply for capital funding from the Commonwealth through the Health and Hospitals Fund or the State of Victoria, through a number of Victorian Department of Health processes. While the VHA welcomes capital funding from all sources, the current funding split is incongruent with the terms of the NHRA which designates the States as health system managers. For States to be effective system managers that are capable of responding to local needs, they must have control over capital allocation processes. Furthermore, the preparation and assessment of capital funding applications requires substantial resources from health services and governments. The existence of capital funding programs at Commonwealth and State levels is conducive to duplication of effort in application and assessment processes.

The funding of dental services is also split between Commonwealth and State governments. The Commonwealth provides assistance to teenagers through the Medicare Teen Dental Plan and provides services for low income adults through the National Partnership Agreement on Treating More Public Dental Patients[3]. Locally, the Victorian Department of Health funds Dental Health Services Victoria to deliver dental care through the Royal Dental Hospital Melbourne and purchases dental care from 54 community health services and rural hospitals (operating from 79 clinics). The Victorian scheme targets young people and socially disadvantaged groups. The VHA views the split in the funding of dental services – and in particular the duplicate focus on dental services for young people – as sub-optimal and warranting further consideration.

Other examples of duplication or overlap are outlined in the following table.

[3] From 1 January 2014, the Medicare Teen Dental Plan will be replaced with a new Child Dental Benefits Schedule for 2-17 year olds – representing an expansion in the scope of services provided.

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Commonwealth Service	Victorian Service	Level of duplication
Partners in Recovery (PIR)	Psychiatric Disability Rehabilitation and Support Services (PDRSS)	**MEDIUM**
PIR aims to support people with severe and persistent mental illness with complex needs and their carers and families, by getting multiple sectors, services and supports they may come into contact with (and could benefit from) to work in a more collaborative, coordinated and integrated way.	The non-government psychiatric disability rehabilitation and support services sector is a core component of specialist mental health services complementing clinical mental health services. PDRSS are managed by non-government organisations and focus on addressing the impact of mental illness on a person's daily activities and the social disadvantage resulting from illness.	There is some duplication due to PIR and PDRSS programs both having the function of coordinating mental health services across sectors. Better role clarification will help eliminate duplicate and overlapping services.
National Health Services Directorate (NHSD)	Human Services Directory (HSD)	**HIGH**
The NHSD consolidates regional healthcare directories to provide information on GPs, Pharmacies, Hospitals and Emergency Departments as well as mental health, allied health and local hospital services data information.	The HSD provide practitioners and service providers with access to accurate and up-to-date information about health, social & disability services in Victoria.	Duplication of service
After Hours GP Help Line	Nurses on Call	**HIGH**
The Help Line provides after hours medical advice over the telephone for people who cannot access their usual GP.	A phone service that provides 24-hour immediate health advice from a registered nurse.	Overlap of service

3. Efficiency and effectiveness of government expenditure

The Commission is asked to report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term.

Efforts to identify efficiencies and savings in the health portfolio are supported by the VHA. However, the VHA also maintains that the identification of savings should not result in a net reduction in health expenditure. In addition, there should be further investment in new technology and preventative health approaches to increase the efficiency and long-term sustainability of the health system.

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The VHA considers it important that the government honours the pre-election commitment to not reduce net funding to health. The VHA is also a firm supporter of the funding commitments laid out in the NHRA. The NHRA will ensure the sustainability of funding for public hospitals by increasing the Commonwealth's share of public hospital funding through an increased contribution to the costs of growth[4]. The VHA urges the Federal Government to affirm its commitment to the principles and funding arrangements outlined in the NHRA.

The VHA has long been a strong advocate for preventative approaches to health and is proud of the robust community health sector which promotes and practices such an approach in Victoria. To achieve sustained reductions in the growth of preventable chronic diseases, and to create lasting improvements in the health and wellbeing of people and communities, we need a prevention system that is coordinated, responsive, sustainable, and that complements our healthcare system.

Funding is an essential input required to enable effective delivery of preventative health services and the development of a health system that is sustainable over the longer term. Research[5,6] demonstrates the significant and long-term returns on investment and cost savings of prevention activities. For example, a 2008 study claimed that for every one dollar invested in proven community-based disease prevention programs (increasing physical activity, improving nutrition and reducing smoking levels), the return on investment over and above the cost of the program would be $5.60 within five years[7]. Such research underscores the need to consider the potential of investment in prevention programs.

The VHA also notes as part of the negotiations regarding DisabilityCare Australia, the Victorian Government agreed to transition Home and Community Care (HACC) services to Commonwealth responsibility and control. The Victorian HACC service system is characterised by strong partnerships with local government and primary care services, as well as public health services. The VHA wishes to emphasise the high quality of care that Victorians receive through the HACC program. HACC provides a comprehensive range of integrated home and community care for clients that facilitates the

[4] Source: "National Health Reform Agreement" Council of Australian Governments, August 2011, Page 5
[5] Source: "Prevention for a healthier America: investments in disease prevention yield significant savings, stronger communities", Trust for America's Health, 2008
[6] Source: "Returns on investment in public health: an epidemiological and economic analysis", Taylor R and Clements M, Department of Health and Ageing: Canberra, 2003
[7] Source: "Prevention for a healthier America: investments in disease prevention yield significant savings, stronger communities", Trust for America's Health, 2008

maintenance of clients in their homes, and avoids premature or inappropriate admission to long term residential care. Such programs are critical for the long term financial sustainability of the health care system.

It is also pertinent to emphasise that the Australian health system is not currently realising the benefits that new technologies can bring. For example, the implementation of a single electronic record has the potential to improve quality, access and the efficiency of the health system[8].

From a quality perspective, single electronic records have the potential to enable a seamless patient journey where patients and clinicians have quicker access to information in a safe, secure manner and can work more effectively as a team to give better care to patients. Electronic patient record systems also facilitate the measurement of quality and the implementation of pay-for performance systems; and through observation of variance between providers we can identify scope for greater efficiency[9].

The VHA recognises that to date there has been a poor uptake of the Personally Controlled Electronic Health Record (PCEHR) platform but maintains that efforts by the Federal Government in this area must continue. In the VHA's recent submission to the Minister for Health's review of the PCEHR, it was argued that transitioning to an 'opt-out' approach will rapidly accelerate adoption of the platform.

Recommendations:

That the Commission recommends to the Commonwealth Government that:

2. In accordance with the Government's pre-election commitment, there is no reduction in expenditure in the health portfolio.

3. The spirit and terms of the National Health Reform Agreement are adhered to.

4. The rollout of a national electronic health record continues and is treated as a priority.

5. Funding is directed toward health prevention activities to ensure the long term financial viability of the health system.

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[8] Source: "eHealth is worth it" Stroetmann K et al., European Commission, 2006, Page 21
[9] Source: "Lessons from the English National Programme for IT" Swindells M and de Lusignan S *Studies in Health Technology & Informatics*, 2012, Page 17

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4. Further information

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