MEMBER BULLETIN

Report of the National Commission of Audit

1 May 2014

The report of the National Commission of Audit (the report) was released today. The Commission was asked by the Commonwealth Government to review and report on:

- options to manage expenditure growth, including through reviewing existing policy settings, programs and discretionary spending (such as grants)
- savings and appropriate price signals – such as the use of co-payments, user-charging or incentive payments – where such signals will help to ensure optimal targeting of programs and expenditure (including to those most in need), while addressing the rising cost of social and other spending
- mechanisms that allow for the periodic evaluation of the effectiveness of all areas of expenditure in meeting their announced objectives
- other savings or matters that the Commission considers should be brought to the government's attention.

Phase One of the report delivered 64 recommendations, which deal with the scope of government, the efficiency and effectiveness of government expenditure, the state of the Commonwealth's finances and medium-term risks to the integrity of the budget position and the adequacy of existing budget controls and disciplines.

The VHA made a submission to the National Commission of Audit's consultation in 2013, and our recommendations are listed below:

1. In accordance with the Government's pre-election commitment, there is no reduction in expenditure in the health portfolio
2. The spirit and terms of the National Health Reform Agreement are adhered to
3. The rollout of a national electronic health record continues and is treated as a priority
4. Funding is directed toward health prevention activities to ensure the long term financial viability of the health system

While the Commonwealth Government will determine which, if any, of the report's recommendations it will accept and implement, the VHA is particularly concerned about the recommendation to limit the Commonwealth's contribution to the efficient growth of public hospital services to 45%.

The National Health Reform Agreement was supported by the states and the Commonwealth and should be adhered to.

The VHA welcomes the Commission's acknowledgement of the risk that GP co-payments will lead to an increase of presentations at hospital emergency departments.

It is crucial that the Government takes this risk into account in its consideration of GP co-payments.

The VHA is pleased that the Commission has recognised the duplication that exists between the states and Commonwealth in the administration of health and urges the Government to act in line with our previous recommendations.

The VHA has performed an initial analysis of the report and listed key recommendations relating to the health system, the health bureaucracy, the relations between the Commonwealth and the states, aged care and mental health.

Hospital

- limit Commonwealth contribution to efficient growth in public hospital costs to 45% (was 50% from 2017-18 onwards) with the exception of activity based funding
- states should be encouraged to introduce a co-payment structure for public hospital emergency departments for less urgent conditions that could be appropriately treated in the general practice setting

Aged Care

- progress reforms previously suggested by the Productivity Commission, including reforms to ensure the full value of the principal residence is included in the current aged care means test
- the Government should examine options to improve older Australians' access to equity in their principal residence, to help pay for part of the cost of their aged care services
- introduce a fee for aged care providers to access the accommodation bond guarantee or, alternatively, requiring providers to take out appropriate private insurance to cover the risk of default
- reduce duplication in all aspects of financial reporting for the aged care sector as well as reducing other regulatory requirements for aged care providers.

Medicare

- require high income earners to take out private health insurance for basic health services in place of Medicare
- introduce co-payments for all Medicare funded services, underpinned by a new safety net arrangement that would operate once a patient has exceeded 15 visits per year. Patients will be unable to insure against the co-payment, and providers that bulk-bill will not be able to waive the co-payment. General patients would pay $15 per service up to the safety net threshold, and $7.50 thereafter. Concession card holders would pay $5 per service up to the safety net threshold, and $2.50 thereafter
- review the MBS to identify and remove inefficient items, replace expensive items with less expensive alternatives

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National Disability Insurance Scheme

- slower roll out of the scheme Simplify the governance arrangements for NDIS by making the NDIA CEO report directly to the Minister
- changes in governance arrangements would have no impact to eligibility for the NDIS or the proposed financial contributions of the Commonwealth and the States

Mental Health

- the Commission of Audit supports the current review of existing mental health programmes and services being undertaken by the National Mental Health Commission and recommends it pay particular attention to removing the duplication between the commonwealth and states

Other

- clarify the roles and responsibilities of government to reduce overlap and duplication between governments, including introducing a principle of 'subsidiarity' so that policy and service delivery is separated where possible, and services are delivered by the level of government closest to the people receiving those services
- address the inability of states to raise revenue through income tax receipts. The COA recommends that states should be provided with access to the commonwealth's personal income tax base, by having the commonwealth reduce its personal income tax rate by an equivalent percentage point amount to a new state surcharge, with revenue raised being hypothecated to the states
- share all GST on an equal per-capita basis
- support an ambitious digital strategy that makes myGov the default means of engaging with government, supported by 'opt-out' provisions
- reform the private health insurance market to:
    - provide greater incentives for efficient and cost effective health management through deregulating price setting arrangements, allowing health funds to expand their coverage to primary care
    - relax community-rating to allow health funds to vary premiums to account for a limited number of lifestyle factors, including smoking
    - reform the arrangements by which insurers equalise risks through the sector
- reforms to the Pharmaceutical Benefits Scheme including:
    - a new independent authority oversee management of listing drugs within a designated seven year funding envelope
    - increased co-payment arrangements so that all users pay at least some contribution to the cost of medicines
    - establish a single National Health and Medical Research Institute, formed from the merger of the National Health and Medical Research Council, Cancer Australia and the research budget of the Australian National Preventative Health Agency
    - establish a new Health Productivity and Performance Commission to coordinate, report and drive performance across the health system. It would

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be formed through the merger of the Australian Commission on Safety and Quality in Health Care, the Australian Institute of Health and Welfare, the Australian National Health Performance Authority, components of the Australian National Preventative Health Agency, the Private Health Insurance Administration Council, the Independent Hospital Pricing Authority, the National Health Funding Body and the National Mental Health Commission

- increase the number of health professionals and examine the scope of practice of some of them, including expanding the range of settings and scope of practice for pharmacists and nurse practitioners
- detailed work is required to examine opportunities to improve the efficiency and effectiveness of Australia's health care system over the medium to longer term. The Commission recommends the Minister for Health be tasked with developing options to reform Australia's system of health care. The Minister should report to the Prime Minister in 12 months' time on progress and a preferred way forward.

The full report of the National Commission of Audit can be accessed **here** with Phase One being most relevant to health services.