



Victorian Healthcare Association

Acute and Sub-Acute Healthcare

National Health Reform: the VHA view

February 2010



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1. Introduction

1.1 Context

This paper outlines the VHA's position regarding the acute and sub-acute care recommendations and issues identified in the final report of the National Health and Hospitals Reform Commission (NHHRC) *A Healthier Future for all Australians* (the Report).

1.2 Current Service Context

There are over 110 public hospitals in Victoria. These public health facilities provide a broad range of services including inpatient and outpatient medical and surgical services, rehabilitation, mental health, aged care and primary healthcare services. These primary healthcare services play an important role in illness prevention, early intervention, health promotion and health service delivery.

Many of the rural and regional health services also provide Residential Aged Care. One feature of the small rural public hospitals is providing health services across the care continuum, not just episodic care.

Another key component of Victoria's health system is the goal of regional self-sufficiency, which enables patients to access the care they require close to home.

1.3 The NHHRC Final Report

The NHHRC released its final report on 10 August 2009. The report included 123 recommendations for consideration by the Federal Government. The recommendations were grouped into four themes:

- Taking responsibility
- Connecting care
- Facing inequities
- Driving quality performance

The VHA has regrouped the recommendations within the report into seven key themes in line with the VHA's priorities to inform a more considered response. The VHA's analysis centred on the following key themes:

- Governance
- Funding reform
- Service reform
- Workforce
- Benchmarking and data
- E-health
- Population health



2. The VHA's response

2.1 Governance

2.1.1 Healthy Australia Accord

The VHA believes that optimal outcomes from the health system are only achieved when key stakeholders work co-operatively to implement care models that will result in improved health and wellbeing for all Australians. The VHA supports a national agreement across governments that establish goals for Australia's health system that are backed by coherent policies and strategies.

Within such a framework, local service delivery models and solutions must remain in place, where they strengthen the health system. The Victorian example of local Boards of Governance facilitates innovative models of health service delivery to communities of interest. This decentralised governance model of health service delivery benefits local communities. This is particularly so in rural communities where it has enabled the continued vibrancy of small, local health services.

The VHA is concerned about some of the challenges of creating a national system, given the differences *between* the health systems in each state. Whilst the VHA agrees that the health system can be improved, Victoria, and more broadly Australia, has one of the best health systems in the world. It is imperative that we do not lose the benefits of the existing state-funded healthcare infrastructure in Victoria in undertaking any reform process.

Coherent national policy is needed to drive health system performance at all levels. Achieving this does not require large system reorganisation. Instead, it requires all levels of government to work in partnership towards consistent, shared goals. This does not occur currently and the Report does not make it clear whether or not it will occur in the future.

The continued division of Commonwealth and State funding and policy responsibility could perpetuate the same "blame game". The issues with the current funding system include a lack of cohesive and consistent policy direction, an inefficient use of resources through service duplication, a lack of clear accountabilities - which allows the politicisation of health funding - and a failure to create a truly integrated and seamless health system.

The politicisation of health spending, particularly infrastructure spending must end now. The health system must be for all Australians, for a common good and bipartisan approaches are needed to long-term policy initiatives, such as reform.

2.2 Funding

Poor coordination between Commonwealth and State funding programs must be resolved in a reformed health system. A clear example of the State and Commonwealth governments' failure to work in concert is the Federal Government's use of a purely geographic, broad categorisation to determine incentive funding for General Practitioners (GPs) in rural and remote areas. These funds are distributed within states without due consideration to state workforce planning priorities or to the need to strengthen existing



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collaborations or services. All levels of government must be cognisant of the impacts of their decisions on the other.

2.2.1 Flexible funding

The development of flexible funding models is one of the VHA's strategic priorities. The VHA will continue to advocate for the need for more flexible funding models to facilitate greater access to multidisciplinary and connected care.

The VHA supports the recommendation that funding packages must support flexible rather than a one-size-fits all approach and provide access to multidisciplinary teams that focus on holistic approaches to keeping people well, rather than specific episodes of care or practitioner types.

The NHHRC's proposals to expand flexible funding arrangements for rural and remote communities to reconfigure health service delivery must be implemented. Flexible funding models facilitate locally designed and flexible models of care in remote and small rural communities, which addresses inequitable access to services that currently exists in many rural communities. The VHA supports increasing the funding equivalent to national average medical benefits and primary healthcare service funding, appropriately adjusted for remoteness and health status.

In 2009, The VHA-commissioned Access Economics to produce a Victorian public hospital funding and productivity study. This study stated that the escalating costs of enterprise bargaining agreements, patient transportation, implementation of mandated technology and building maintenance of old stock cannot always be absorbed into a small rural health service's (SRHS) funding margins without access to funding growth. Funding arrangements must take into account variations in costs and different delivery models required according to location, to include the resources required to safeguard both financial and workforce viability. This will help to ensure the sustainability of services across all of Australia.

When implementing more flexible funding models, the VHA cautions all levels of government to ensure that further funding fragmentation is not created. Funding must be provided to state governments to administer. Victoria's Small Rural Health Service (SRHS) funding model is one example of an innovative and flexible funding model that supports the provision of services to small communities. Any Commonwealth expansion of multi-purpose service (MPS) models should work in concert with the state funded SRHS model.

As the SRHS funding model shares some similarities with the MPS model, the VHA encourages the Federal Government to note that a move to increase the number of MPS services in rural areas will not necessarily address the underlying service structure and funding issues being faced. The separation of governance for acute and outpatient services will further complicate the administration of a SRHS. The issues these communities face in providing urgent care must also be addressed in any change.

The VHA also believes a review of funding models is needed across the entire healthcare system to streamline approaches, with the aim of consolidating funding into a single stream to increase efficiency. This review should also examine how investments outside



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the traditional healthcare system can benefit health overall – a health in all policies approach.

2.2.2 Activity-based funding

The NHHRC recommended the use of activity-based funding using casemix classifications for:

- Inpatient and outpatient treatment
- Emergency department services (in combination with fixed grants to fund availability)
- Hospitals with a major emergency department service, as the costs of maintaining bed availability to admit people promptly should be recognised in the funding arrangements

The March 2008 meeting of the Council of Australian Governments (COAG) recommended national adoption of activity-based funding for public hospital services. The National Partnership Agreement on Hospital and Health Workforce Reform also recommended nationally consistent data collection for hospital-provided care, including outpatient, emergency and post-acute care. It is clear that the State/Territory and Commonwealth governments are moving towards this recommendation. The VHA is concerned that activity based funding for hospital based outpatient and emergency treatment, but not other primary health services, could further fragment the primary health sector.

Casemix based funding approaches have been used in Victoria since the early 1990's. The VHA observes that casemix funding provides a mechanism for technical efficiency, but creates disparities of equity due to allocative inefficiencies and scalability (the size of an organisation). All acute services must be funded adequately to provide the high quality specialist care needed.

While the VHA does not propose wholesale changes to casemix, it believes that capacity exists to ensure greater funding equity via longer term planning, differential costing, and the removal of some categories of care – such as obstetrics - from DRG weighted casemix approaches.

The VHA is continuing to call on the Victorian Government to remove maternity funding from the casemix funding model, due to the cost disparities in providing services in rural areas, and the changing preferences for care by birthing mothers. Health services must be resourced to design and implement maternity services that meet local needs. This requires the examination of new ways to stem the diminishing availability of obstetric services in regional areas.

2.2.3 Performance linked funding

It is widely acknowledged that funding of the health system is fragmented and performance accountabilities vary between levels of government. The NHHRC's funding recommendations mention the need to link funding with a set of performance-based health indicators.

The VHA believes there is a need to develop valid and reliable outcome indicators and quality indicators (for timeliness of care) before tying financial incentives to them. The



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risk of unintended outcomes from incentive funding was demonstrated recently in Victoria with the waiting list data manipulation issue. Access targets that do not recognise fluctuating demand should not be used to assess the performance of a health service.

The transparency of funding processes is vitally important. The VHA believes more work is needed to ensure funding applications are prioritised on the basis of need so that all Australians have access to high quality health services into the future.

2.2.4 Transport funding

The NHHRC recommended increased funding for patient transport and accommodation. The VHA strongly supports this recommendation and further proposes that the funding formulae implemented include additional funding for more remote services, where transfer costs are higher.

The VHA supports enhanced patient travel and accommodation assistance schemes, but notes that such schemes support only 'planned' care. The VHA encourages the Federal Government to consider 'urgent' care transportation as an integral element of hospital access for rural communities. In particular, the funding mechanisms applying to 'urgent' care transportation requires review to ensure a consistent approach across Australia.

2.2.5 Capital funding

Capital funding must target priority areas and must be more transparent and evidence-based in its application. This should include appropriate investment in new infrastructure that provides long-term solutions, such as student accommodation to increase student clinical training opportunities for the future workforce. Evidence indicates that ongoing investment in replacing outdated health infrastructure will both improve economic efficiency and environmental outcomes.

The VHA-commissioned Access Economics funding and productivity study found that the healthcare system will be unsustainable without major reinvestment in infrastructure to underpin funding systems – particularly in population growth areas. A productivity analysis is needed to identify where investments are likely to provide the greatest returns. If the Commonwealth and State governments work together, the funding can be provided in a more transparent and planned way.

The VHA applauds the NHHRC recommendations for capital funding to improve access to sub-acute services.

2.3 Service Reform

The NHHRC recommended a number of initiatives to improve service throughput and access, particularly increasing sub-acute services. Yet there is scant detail in the Report on how Australia can ensure the right services are provided in the right place and at the right time. Systemic and long-term health system planning is required to remedy this situation. The Australia 2020 health plan must articulate how the health system will meet the needs of a growing population. The use of access targets without linkages to a service system plan runs the risk that health reform will be ineffective.



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The VHA believes there is a need for a national health system 2020 plan with agreed and measurable objectives. This plan will articulate a vision for service distribution and capital infrastructure planning. There is a need for bi-partisan support for such a plan to secure its implementation.

2.4 Workforce

Australia can ill afford to neglect its workforce challenges. Workforce limitations remain a key impediment to health sector reform. There is a worldwide shortage of healthcare professionals and Australia is not immune from this shortage, with many rural areas experiencing significant recruitment difficulties.

The VHA welcomes new funding approaches and innovative workforce strategies. An experienced workforce is essential to maintain the capacity of the health system to meet increased service demand. The recruitment and retention of all employment categories is, therefore, essential to the long-term viability and success of Victoria's health industry.

The VHA supports the NHHRC's workforce recommendations but believes they do not go far enough to address the workforce challenges being faced both in rural areas and across the entire health sector.

The Report does not adequately discuss the significant problem of funding following providers, which leads to inequity of funding distribution and workforce shortages. The VHA recommends planning and action now to ensure that Australia has the right workforce available and trained to meet the growth in demand for healthcare services, in particular sub-acute services and community-based services.

Accordingly, the VHA supports the need for better data on the size, skills mix and distribution of this workforce, including rehabilitation medicine specialists, geriatricians and allied health staff.

One area the VHA believes is neglected is that of workforce redesign and/or creating new categories of healthcare workers to complement our trained professionals, by relieving them of routine and time-consuming elements of their professions. Workforce reform must also look at "scope of practice" issues to better use the skills of scarce medical professionals, particularly in rural areas. This may mean widening the use of nurse practitioners and physician assistants to reduce workload pressures on medical practitioners, where it is safe to do so.

2.5 E-Health

The NHHRC recommended that every Australian should be able to have a personal electronic health record that will at all times be owned and controlled by that person, in order to support people's decision making and management of their own health. The VHA strongly supports the intent of the NHHRC position regarding e-health.

The VHA wants to see a significant resource commitment to fast-tracking the rollout of this program over the next three years. This requires a great deal of funding and infrastructure. However, recent COAG announcements demonstrated a division between fiscal commitment and policy development.



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A key outcome of work in this area must be to ensure an individual patient's journey is coordinated and seamless and that the technology facilitates better patient outcomes. The opportunity exists to standardise health records and clinical communications in a way that accommodates all stakeholders, consumers and clinicians. To improve patient outcomes, the VHA supports the development of e-Health records to streamline patient data across the acute and non-acute sectors to ensure health professionals have access to vital patient information. Information technology can play an important role in ensuring continuity of care.

The VHA calls on both Federal and State governments to ensure the success of all health IT projects are measured against the e-health goals of better patient outcomes and productivity improvements, not simply project and product implementation.

The VHA supports the NHHRC recommendations that call for telemedicine and Internet consultations. There is a need for timely implementation and appropriate resourcing in this area. There is also an urgent need to ensure that the underlying building blocks - broadband infrastructure and computer systems - are in place to facilitate such endeavours. The VHA has long called for investments in telemedicine to enhance access to specialist services for rural communities, where there are persistent workforce shortages. Investment is required not only in infrastructure but in establishing the underpinning clinical networks and resources required to deliver these approaches to care.

2.6 Benchmarking and Data

The VHA is pleased that the NHHRC acknowledged the vital link between timely access to data and health service planning, and the importance of data to facilitate comparisons between the clinical performances of health services.

Reform in this area can and should go one step further. The VHA believes there is the potential to vastly improve health service planning via the establishment of a national health data site overseen by a single, major academic institution. This site would align key health data from a range of sources and make it publicly available via Geographic Information System (GIS) mapping. The site would help individual health services to access data to inform population health service planning and innovation. It is a simple yet cost-effective solution that would yield significant productivity dividends.

Further potential exists within the health system to capture and analyse data that is currently un-utilised. For example, access to and analysis of Health Insurance Commission data by health planners has the potential to significantly improve health system performance, providing the input methodology is changed to identify morbidity demand.

Previous VHA research identified a misalignment of planning cycles and inconsistent data collection that limits the ability of health services and policy planners to compare data and impedes benchmarking of health services to a set of industry-agreed key performance indicators (KPIs).

These KPIs are necessary to provide a shared focus as the healthcare system moves from the provision of acute services to early intervention, prevention and health promotion.



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Such a system would facilitate the important task of benchmarking between health services to allow service providers to adjust their processes towards best practice.

The VHA-commissioned 2009 Access Economics funding and productivity study recommends this as an important step to deliver further productivity improvements within the constraints of an overstretched public healthcare system. However, health services must receive adequate funding to collect and analyse the data, and to implement any necessary changes.

The VHA supports the NHHRC recommendation to establish rolling 10 year goals under the Healthy Australia 2020 Goals. These goals would be developed to ensure broad community ownership and commitment, with regular progress reports by the National Health Promotion and Prevention Agency. The VHA wants these goals to form part of a bipartisan national health plan that guides planning of and investment in our health system.

The NHHRC proposes the creation of a series of National Access Targets to assess the timeliness of care across all health services. The VHA believes access indicators for timeliness of care are needed but should not be the sole indicator to determine an individual health services' performance. Instead, separate performance and outcome indicators should be developed, before financial incentives are tied to them. Lessons learnt from other countries must be incorporated into such targets. Establishing National Access Targets without ensuring that services have sufficient resources and that services exist in the right locations for their catchment populations is meaningless.

To support a process of quality improvement, the VHA recommends that data on safety and quality should be collated, compared and fed back to hospitals, clinical units and clinicians in a timely fashion to expedite quality improvement cycles. Hospitals should also be required to report on their strategies to improve safety and quality of care, including actions taken in response to identified safety issues. This information must also be publicly available.

2.7 Population Health

Population health approaches to planning is also one of the VHA's strategic priorities. The VHA strongly supports the NHHRC recommendations for a shift towards population health planning. The VHA has engaged Monash University in a project to develop population health approaches to planning.

The principles of population health planning approaches should involve the acute/sub-acute sector to include the whole healthcare system. The VHA hopes that the NHHRC recommendations would lead to the development of a clearly articulated set of industry agreed population health indicators and mandated public reporting. These population health indicators would measure performance in the healthcare system and move the public perception of performance beyond the outdated focus on hospital waiting lists.

Access to good data is critical to implementing population health approaches to planning. Population health indicators should align with Victoria's Department of Health's Health Promotion Priorities for 2007-2012. It is vital that the ongoing development of population



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health indicators assists in developing health service planning priorities, and establishes targets and measures progress.

3. Conclusions

The key message from the NHHRC's final report is that there needs to be improved partnerships and communication between the Commonwealth and State/Territory governments to form "one health system". It highlights the need for improved indicators to measure access and performance; improved data collection and information technology to share and compare information; a single stream of funding and policy with greater flexibility to tailor services to need; and a focus on primary and preventative health, including post-acute care.

It is vitally important that in constructing a new Healthy Australia Accord that we do not create new cracks in the system. The acute sector cannot be sectioned off in isolation from the continuum of care. Health services cannot be sectioned off from other mechanisms of government, such as education, social welfare and justice.

The governments must work together. Removing the role and responsibility of the State and Territory governments for the health of their constituents will create new problems. The Commonwealth government is too remote from the different communities in this diverse country to control service co-ordination and planning. A co-operative partnership between the Commonwealth and State governments is needed to ensure the optimal health of all Australians is achieved through a "whole of health" approach.