



**Victorian** *Healthcare Association*

# *Investing in the health of all Victorians*

*Submission to the Treasurer of Victoria on:*

## *The Victorian State Budget 2010 - 2011*

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Victorian Healthcare Association

## **'Investing in the health of all Victorians'** **The Victorian Healthcare Association Submission on:** The 2010-2011 Victorian Government State Budget

The Victorian Healthcare Association welcomes the opportunity to submit to the public consultation on 2010-2011 Victorian Budget priorities.

### **The Victorian Healthcare Association**

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

### **Executive Summary**

Victoria's ageing population will create a public healthcare crisis within 10 years unless the State Government acts now to inject sufficient capital and recurrent funding into the public health system. Added to this is an equally compelling need for the State Government to shift the service model to more non-bed and community settings.

This statement is not simple rhetoric, but is based upon the governments own data sets and demographic projections. **Put simply the inconvenient truth of ageing is about to slap us in the face!**

### **The Past Decade**

The Victorian Government's submission to the Legislative Council *standing committee on finance and public administration; inquiry into public hospitals*, states that it has doubled recurrent health funding over the past decade to \$10.5 billion, coupled with a decade of capital investment totalling \$4.7 billion.

This investment reflects a number of realities:

1. Population growth of 20 per cent by 2021
2. Growth in the population aged over 65 of 50 per cent by 2021, creating early demand pressure for healthcare services
3. Technological improvement in maintaining life that skews demand from an ageing community for complex, chronic care and intensive acute interventions
4. Advanced technologies for day surgery procedures that provide lower cost entry points for providers and improved consumer access
5. Underinvestment in infrastructure maintenance over the past decade

Embedded in this headline of record investment are three important policy inequities:

1. An increase in the funding allocation to acute health services – from 68 per cent to 69 per cent of the total health appropriation - at a time when policy commentators agree on the benefits of early intervention and prevention
2. An increasing proportion of the overall health budget being allocated to fund State bureaucracies – 26.5 per cent in 2009-10, up from 24.8 per cent in 2008-09. This is at a time when significant fiscal pressure is being applied to service providers
3. Only 17 per cent of the capital investment from the past decade was directed to regional and rural Victoria, despite the fact that 27 per cent of the state's population resides there



## The Decade Ahead

By 2021, Victoria's population is projected to grow to more than six million people, an increase of almost 20 per cent on 2008. The proportion of this population aged over 65 years will total more than 1.1 million people or 17.5 per cent of the total - up 50 per cent on 2008.

The combined impact of population growth and population ageing will be an increase in service demand of between 29 and 53 per cent on bed based services. This variation in projected demand depends on a number of factors that include:

- Victoria's ability to shift demand away from bed based solutions to community settings
- The technologies that are introduced and become common place
- The introduction of new policies that result in service rationing

Whether or not service demand is restricted, significant year on year increases in funding (both operational and capital) will be required over the next decade to maintain the standard of public healthcare services in Victoria.

## Investment to Meet Demand Growth (scale)

To hold investment at the lower end of the projected range, the VHA estimates the health system will need in the period 2010-2021:

1. Investment in **new infrastructure** of at least \$6.2 billion
2. Investment in **infrastructure renewal** of \$4.7 billion
3. **Investment in service growth of \$650 million per annum** - this will require annual increases of \$885 million if the amount deducted to cover bureaucratic costs remains at 26.5 per cent of the funding total
4. **Increased investment in Information and Communication Technologies (ICT)** supporting the healthcare system of **\$150 million per annum** for the next four years

The VHA supports efforts to extract maximum efficiency from the state's public healthcare system. However, the VHA does not support the State Government's current policy of simply imposing efficiency and productivity and other like titled reductions on providers' operating budgets. This approach is illogical and fails to recognise the varying capacity of providers to reasonably achieve the expected outcome.

To curb growth to the modest end of the expected range, the VHA recommends a number of priority initiatives to drive further efficiencies in the state's public healthcare system. The VHA's recommended changes to 'scope' detailed below are in addition to the investment identified above to maintain 'scale'.

## Service Initiatives (scope)

The VHA supports the goals of 'A Fairer Victoria' in creating equity of access to health services across Victoria. To achieve these goals the VHA's recommends:

1. A commitment to a 10 year service and infrastructure plan for the State with measurable outcome goals
2. State-wide equity of access to the Hospital Admission Risk Program (HARP)
3. State-wide equity of access to the Early Intervention in Chronic Disease Program (EiCD)
4. State-wide equity of access to public emergency and outpatient services



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5. Investment to fully implement the goals for regional self-sufficiency expressed in the 2009 Rural Directions – *For a Healthier Victoria*
6. Investment to support health agency boards to develop service priorities based on a population health perspective and to effectively partner with other providers to address priority areas
7. Investment to support rural directors of health and aged care services to enable regional innovation
8. Investment to support health agency boards to fulfil their clinical governance responsibilities
9. State-wide equity of access to outreach services for children aged 0 to 5 years
10. Investment in the state-wide implementation of health promoting health services approaches based on international best practice
11. Further investment in improving access to telemedicine solutions to ensure equity of access for rural communities to specialist support

### **Initiatives to Meet Demand Growth (capacity)**

In 2009, the VHA released a report it commissioned from Access Economics titled – '*Victorian public hospital funding and productivity*'. The VHA commissioned this report to identify the systemic barriers to improving public health sector productivity.

The VHA continues to support the report's findings that, if enacted, have the potential to improve the productive capacity of Victoria's public healthcare system. The report recommendations include:

1. Consolidation of multiple funding programs, both operational and capital, to reduce the administrative burden associated with applying for and receiving relatively small amounts of funding
2. A cessation to the 'blanket' application of efficiency, productivity and other like termed variations to agency budgets in recognition that the 'variations' are applied without any evaluation of individual agency capacity to reasonably achieve them
3. A change in the approach to funding maternity, NETS and urgent ambulance transfers from the current system of funding through service provider grants, to a direct funding relationship between the Department of Health and Ambulance Victoria
4. A transparent and industry engaged review of the input modelling associated with all unit pricing approaches used under the Casemix funding model
5. The replacement of Casemix funding for maternity services with direct funding based on an agreed service model for agencies that provide maternity services
6. A commitment to apply a minimum indexation to small rural health services funding at the indexation received by the State via the National Healthcare Agreement
7. An investment in the development and implementation of an industry accepted model to benchmark health services
8. A policy approach to move service modelling toward non-bed based solutions. This must be reflected within the State-wide service and infrastructure plan, and be quantifiably measurable within the budget appropriations to health