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Access Economics calls for reinvestment in health

Victoria's healthcare system will be unable to deliver further productivity gains without major reinvestment in infrastructure and a move away from a purely competitive funding framework.

An Access Economics' *Victorian public hospital funding and productivity* study - commissioned by the Victorian Healthcare Association (VHA) –calls for immediate reform to the Casemix funding model that pits health services against one another in competition for limited pools of bonus funding.

The report recommends the consolidation of multiple funding streams into a single stream of funding for investment in infrastructure and capital, driven by an evidence-based 10-year capital investment plan.

Investment in new benchmarking standards by the State Government is also recommended to drive health sector productivity. One suggestion is that the Department of Human Services (DHS) funds a unit to proactively assist health services to analyse and improve their performance to state's best practice targets.

Despite the current financial crisis, the report recommends the State Government use public borrowings to expedite capital works to upgrade inefficient health infrastructure that is eroding health service budgets.

The VHA's (VHA) Chief Executive, Mr Trevor Carr, says the report provides the evidence that the State Government can no longer avoid tackling the structural change needed to better equip the state's health system to cope with future demand projections.

His warning comes after the report found the current competitive environment encourages hospitals to "hide" information from Victoria's DHS.

"Limiting funding and increasing required targets creates an adversarial environment between hospitals and the Department of Human Services, whereby hospitals may have an incentive to be less than forthcoming with DHS to hide their inefficient practices," the report said.

"This adversarial framework can also extend between hospitals as all compete for bonus payments in the Bonus Funding Framework (BFF). The result can be that assisting other hospitals to improve productivity or lower their cost base actually helps to take a slice of bonus funding away from you."

Victoria's Minister for Health, Mr Daniel Andrews, abolished the BFF last week after one Victorian hospital confirmed it had manipulated data to qualify for bonus payments.

Mr Carr said the system itself had acted to "encourage manipulation" and the Access Economics' report confirmed "productivity growth in the health sector is difficult to achieve".

The report includes six case studies – Latrobe Regional Health, Northern Health, Bendigo Health, Swan Hill District Health, Kerang District Health and Bass Coast Regional Health.

Key findings identified in the case studies included:

- Depreciation has reached a "tipping point" at many rural/regional health services, including Swan Hill, Kerang and Bendigo
- The health workforce shortage continues to impact rural/regional health services
- Most hospital emergency departments continue to run deficits and hospital administrators spend substantial time cross-subsidising

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- The shortage of after hours GPs places further strain on hospital emergency departments - at Swan Hill Health Service an estimated 6000 emergency department presentations could have been treated by a GP.

Strong demand for health services is projected to continue in Melbourne's population growth corridors and some regional centres.

The Northern hospital area in Melbourne's north is projected to require a threefold increase in funding demand from \$228 million in 2002-03 to \$665 million in 2032-33. Demand for maternity and other services there is expected to double over the next five years, leading to the need for the equivalent of a whole new hospital.

Mr Carr said his member-based organisation commissioned the report to identify the capacity of health services to generate ongoing productivity gains.

"Despite Victoria's good record on public health, this report provides the evidence that this state is at the crossroads in terms of our capacity to continue to meet the current and future healthcare needs of Victorians," Mr Carr said.

"The capacity for many health services to 'benchmark' and analyse their performance against peers is virtually non-existent in the current system.

"On the infrastructure front, most of our health service buildings date back to the 1950s and the cost of repairing and maintaining them is eating into health service budgets – a factor that must be rectified through a 10-year capital works plan for Victoria that reflects demand and equity issues.

"That we find ourselves in such a position is borne of an absence of systematic and transparent approaches to data collection, service planning, capital priorities, workforce planning and funding mechanisms."

In the lead-up to the State Budget, the VHA is seeking a meeting with the Health Minister to put its case for better service planning in health.

The VHA's 2009-10 State Budget submission calls for a 2020 Health Plan that includes a Metropolitan Health Plan and a Rural and Regional Health Plan.

These plans would encapsulate both the guiding principles and key performance indicators to measure the system's performance in critical areas such as: access to overnight and day stay beds, access to rehabilitation and sub-acute services and access to primary healthcare and preventative health services.

Other commitments being sought by the VHA in May's budget include:

- **Small Rural Health Service Funding:** As part of an agreed review of this funding model, the VHA wants the state government to agree to index its inflationary funding to the equivalent of that received by the state via the Australian Healthcare Agreement
- **Maternity Services Funding:** Should be removed from the Casemix model and replaced by "streamed" funding to enable providers to develop models of care suited to their communities, including shared care approaches in rural locations
- **Benchmarking:** The State Government should develop fiscal benchmarks and create a funding pool to support health services to change their processes to state best practice
- **Bonus Funding:** To increase information sharing and cooperation between health services, the VHA recommends aligning the awarding of financial incentives to area based improvements in population health outcomes
- **IT funding:** The State Government to provide each rural IT alliance with an extra \$1 million to help cover the costs of implementing HealthSmart

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- **10-Year Health Infrastructure Plan:** Capital investment priorities to be based on population need and incorporate depreciation costs



The 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.

For further information and
Interviews, contact
Trevor Carr
CEO
Victorian Healthcare Association
(03) 9094 7777 or (0409) 362 382

