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For immediate release

Peak body warns against efficiency payments for hospitals

The Prime Minister Kevin Rudd should abandon yesterday's proposal to pay cash to high performing hospitals to drive greater efficiency in the nation's health system.

The Victorian Healthcare Association (VHA) said a similar system in use in Victoria – known as the Bonus Funding Framework - was scrapped by the Victorian Government last year due to inadequacies.

The VHA's chief executive officer, Mr Trevor Carr said the drive towards efficiency had come at a cost in Victoria.

"Introducing incentives to drive efficiency does not always deliver what you want it to," Mr Carr said.

"There is no evidence the Prime Minister plans to invest in a data capture platform at a national level that is necessary to measure the performance and efficiency of the hospital system, in a way that can be externally audited."

The VHA's warning follows the Prime Minister's announcement at an Australian Medical Association dinner this week that he intends to pay extra cash to hospitals that exceed national efficiency benchmarks.

This snap announcement is part of his bid to convince the states to support the Federal Government's proposal to fund 60 per cent of the "efficient" cost of hospital services.

The VHA last year commissioned Access Economics to conduct a *Victorian public hospital funding and productivity study* that uncovered major flaws in the efficiency payments model (Bonus Funding Framework) used in Victoria.

The Access report found the practice of paying hospitals bonuses to meet efficiency targets created an "adversarial environment" that encouraged hospitals to "hide" information from the department.

The VHA believes the evidence is there to issue a warning to the Prime Minister against a hasty adoption of that same approach on a national basis.

A full copy of the Access Economics' report is available by telephoning the VHA on (03) 9094 7777.

The Victorian Healthcare Association 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.

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