

The Victorian Health Services Plan: enabling success for major healthcare system reform

About the VHA

The Victorian Healthcare Association (VHA) is the peak body supporting Victoria's publicly funded health services to deliver high-quality care. Established in 1938, the VHA represents Victoria's diverse public healthcare sector, including public hospitals, community health services, public sector residential aged care services, bush nursing services and non-bed-based services such as ambulance services.

As well as providing a unified voice for the sector, the VHA delivers value for its members by offering tailored professional development programs, networking opportunities, and informative events. The VHA advocates on behalf of its members on sector-critical issues by engaging and influencing key decision-makers involved in policy development and system reform.

Executive summary

Work is being undertaken to consider options for major reform of the Victorian public healthcare system.

The VHA supports the intent of reform – to improve equity and access to care for Victorians. Regardless of the design pathway, there are several key factors that will determine the success of any major reform. This paper briefly outlines the VHA's position on how funding, workforce, infrastructure and change management should be shaped to enable success for the implementation of any significant reform of Victoria's public hospitals.

About the Health Services Plan

The Victorian Government is currently considering a Health Services Plan (**'the Plan'**) that will focus on the optimal design and governance of Victoria's public healthcare system.¹ An independent Expert Advisory Committee led the development of the Plan and delivered its final report to the Department of Health in April 2024.

The Plan aims to address issues of equity and access for Victorians. It is intended to encourage a more collaborative healthcare system through the creation of integrated networks (the governance of which has not been announced). The governance options proposed by the Expert Advisory Committee have been met with mixed levels of support and interest from health services. Neither option, as they are presented, has received a strong level of collective support from the sector.

¹ The Plan only applies to health service entities defined by the *Health Services Act 1988*, excluding private hospitals, private day procedure centres, ambulance services, non-emergency transport services, and the Queen Elizabeth Centre and the Tweddle Child and Family Health Service.

The Victorian healthcare system needs to change

The VHA acknowledges that system reform is necessary as factors like workforce shortages and increasing demand for healthcare inevitably reach a critical point.²

The impacts of these factors are already affecting our public healthcare system — Victorian health services are currently experiencing some of the worst budget deficits in history (reportedly \$1.5 billion across the state as of December 2023)³ and 60,000 new workers will be needed by 2026.⁴

Several major reforms and reviews have been undertaken into the public healthcare system, such as the introduction of a Mental Health and Wellbeing Act and the Targeting Zero review which examined hospital quality and safety. However, the fundamental structure of the Victorian healthcare system has largely remained unchanged for over 20 years. Unlike other jurisdictions, the Victorian public healthcare system is characterised by a high number of independent health services and boards (76, compared to 15 in New South Wales, for instance).

The design of the Victorian healthcare system possibly contributes to variation in equity and access for consumers. This was summarised by the Victorian Government, as follows:

“[The system’s] complexity makes the system extremely difficult for patients and clinicians to navigate. It is not easy for people to work out where they should go to for information and get the right care to meet their needs.”⁵

Issues of equity and access are more pronounced in rural and regional areas where some medical services (especially complex care services) are unavailable in some locations. This is partly due to having smaller populations, larger distances between towns and fewer resources like workers.⁶

The Health Services Plan presents an opportunity to create a more collaborative and interconnected health system to address these long-standing issues.

What we have heard from health services

There were 74 health services in scope for the consultation and development of the Plan. These health services participated in three rounds of consultations led by the Expert Advisory Committee between August 2023 to March 2024. Key themes, issues, and ideas discussed in these consultations are outlined in the following sections.

There was consensus that the healthcare system needs to change

Health services agreed that, in the current system, Victorians have variable experiences of, and access to, care depending on where they live. Health services agreed that a more collaborative system will address these issues of inequity and access. The design principles of the Health Services Plan were largely accepted.

² <https://www.vha.org.au/public/184/files/Policy-insights-Healthcare-future-trends-predictions-July2023.pdf>

³ <https://www.vha.org.au/news-item/15124/health-budget-cannot-remain-in-the-red-without-impacts-to-care#:~:text=This%20comes%20after%20reports%20of,six%20months%20to%20December%202023>

⁴ <https://www.health.vic.gov.au/victorian-health-workforce-strategy/victorias-healthcare-workforce>

⁵ https://content.health.vic.gov.au/sites/default/files/migrated/files/collections/policies-and-guidelines/v/vhpf_2012-22_metro---pdf.pdf

⁶ <https://www.betterhealth.vic.gov.au/health/servicesandsupport/rural-and-regional-healthcare>

There were mixed views on the best way to govern a new healthcare system

The Expert Advisory Committee sought feedback on a new role delineation framework and presented two governance arrangements for a new healthcare system: strengthening partnerships between health services and consolidations. Generally, services agreed that the role delineation framework would improve patient flow between services. However, there was no consensus on the governance arrangements. Views were mixed and varied depending on services' rurality, geographic location, size and service mix. Some services thought the 'strengthening partnerships' option would add complexity to decision-making without justifiable benefits since many services already work well together. Whilst services understood the potential benefits of consolidations, many were concerned about its unintended consequences, such as the loss of local community connection (particularly in rural areas) or specialisation (particularly for metropolitan specialty services).

Retaining non-acute ancillary services in a role delineation framework is essential

The role delineation framework proposed in the Health Services Plan largely concerns bed-based acute services. However, bed-based acute services are not all a health service may provide, and sometimes represent a small component of their service delivery. This is particularly the case for small rural and regional health services.

Several health services have highlighted that they provide important services besides bed-based acute care, such as aged care and community health services. These ancillary services have a local focus and may not be funded by the state, which complicates the appropriateness of the scope of the Plan. The lack of acknowledgement of ancillary services and Commonwealth-funded services through the consultation process and in the two presented governance options has raised concerns from some health services about how they will be affected, and whether governance reform will bring any benefits to these types of services.

Minimising disruption to local communities is crucial

Health services emphasised the importance of protecting consumer interests. There were concerns that reform could be highly disruptive, especially in rural and regional areas where health services are deeply embedded in their local community. Some services felt that a more centralised health system may harm their autonomy and responsiveness to local needs. Services were also concerned that the Plan was developed with little to no consultation with the local community.

The consultation and engagement process needs to improve going forward

Health services expressed disappointment in the consultation and engagement process for the development of the Health Services Plan. Health services found the engagement process too short and limited in scope. There are concerns that the process needed to involve a variety of stakeholders in a staged manner. The VHA encourages further consultation to adequately reflect input from all key stakeholders, including health service employees, consumers and clinicians.

Timing will be important

Opinions on the ideal timeline for implementing the Plan varied, and depended on which governance option will be chosen. For example, some services believe that, if consolidations are chosen, it would be best to provide time to socialise such major reform with the community and to ensure that process is the

not rushed. On the other hand, other services believe that a longer process will only extend disruptions, thus increasing the likelihood of losing workforce talent and leadership. The timing and staging of the Plan will be instrumental to its success.

The VHA's position on what is required: the enablers of successful health system reform

No matter the final reform option, the VHA believes that there are key enablers of health system reform — funding, workforce, infrastructure and change management — that must be considered for any major reform to succeed. These enablers are also important in minimising unintended consequences such as increased costs for health services, dissatisfaction amongst employees and local community members, loss of community confidence, and decreased access and equity for patients.

While we acknowledge the urgency of reforming our healthcare system, we believe that this must be accomplished via a careful, well-planned implementation process. Though this may take some time, it is crucial to ensure that all stakeholders, particularly smaller communities, are engaged to mitigate unintended consequences and adverse impacts.

This paper outlines the VHA's expectations of the Victorian Government and the Department of Health, as they consider the Health Services Plan options and an approach to implementation. It is essential that the necessary pre-conditions are in place for successful and meaningful change.

Enabler 1: Funding

The limited financial capacity of our health system cannot be understated and must be properly considered in the reform process. Health services across Victoria are currently experiencing some of the worst budget deficits in history because of structural deficits⁷ and a lack of secure, ongoing funding. Additionally, despite running extremely lean budgets, health services are being subject to further cost containment measures.

The VHA supports the need for health service reform, but we do not believe it can be achieved with an efficiencies approach and will instead require significant investment. The VHA does not support the implementation of major reform in an environment that pushes services towards frontline redundancies and reductions in services.

Health system reform is not a cost neutral exercise. Without adequate financial support, health services will be forced to make tough decisions as service delivery costs contend with costs associated with the reform process. In the long-term, ensuring sustainable funding for health services is crucial as demographic changes and rising operating costs strain health services' budgets. There is also a need for more flexible funding models to support patient pathways through the system.

The VHA's position:

- That, no matter the final reform option, secure, sustainable funding is provided to health services to ensure the long-term sustainability of the Victorian public healthcare system. There is an opportunity to use new, alternative models of funding to align with the objectives of the Plan.

⁷ The VHA has released a factsheet on structural deficits here: <https://www.vha.org.au/public/184/files/Fact%20sheet%20-%20Structural%20deficits%20in%20health%20system%20funding.pdf>.

-
- That the Health Services Plan clearly communicates the cost of reform actions.
 - That the Victorian Government provides sufficient financial support to address reform costs, such as change management and community consultation and engagement.

Enabler 2: Infrastructure

The quality and level of infrastructure varies across health services. Part of the inequity is because health services are not budgeted for capital funding, so instead rely on government grants. Inequitable grant funding does not support timely infrastructure investment, nor does it sufficiently address the constant deterioration in asset bases. Without changes to the way infrastructure is funded, the infrastructural capacity and capability of our health services are unlikely to change soon. The existing infrastructure across the state is not fit for purpose for reform. For instance, services that do not have an electronic medical records system will struggle to adapt to a more interconnected and collaborative health system that requires more information sharing between health services.

The VHA's position:

- That the Victorian Government should prioritise infrastructure investment based on existing service plans. Investment should be focused on addressing the most pressing digital and physical infrastructure gaps and ensuring that health services have the right infrastructure to perform their role in the broader healthcare system as described in the role delineation framework.
- That more infrastructure investment is required to support integrated healthcare systems, particularly in IT and communications technology.

Enabler 3: Workforce

Public healthcare workers — both clinical and non-clinical — will be some of the people most impacted by the Plan. They are also some of the people who will play a key role in its success. An integrated health system cannot exist without a strong, sustainable workforce. However, the Victorian public healthcare workforce is far from where it needs to be as it continues to struggle with workforce shortages, burnout, fatigue and stress.

In the current fiscal environment, many health services have made cuts to non-clinical staff and services, including roles in administration, finance and other support staff. All support staff play a vital role in the quality of patient care and cuts of this nature can lead to increased pressure on clinical staff to pick up non-clinical work – decreasing time for patient care.

The current request for health services to achieve financial breakeven against a reduced model budget within a one-year period is also creating a significant risk that frontline staff will be impacted. The VHA understands that some services have already imposed hiring freezes while budget action plan negotiations are underway with the Victorian Government and Department of Health. In the current environment, the VHA is concerned for the welfare and capacity of the sector to absorb cost containment measures without impacting on workforce.

If reform is to be done well – workforce planning will need to focus on developing a skilled and mobile workforce. This will require creative and flexible solutions, such as new models of care, retention strategies

and workforce-sharing arrangements. Strategies will need to be adapted to suit regional and rural areas where services face additional challenges with attracting and retaining workers because of geographical distance.

The VHA's position:

- That the state government should implement policies to attract and retain workers, particularly in rural and regional areas, to support the Plan.
- That the state government recognise the clinical risks of the current environment with respect to frontline staff and look to mitigate these risks.
- That the state government consider activities that build up critical skills and experience, along with system and service capability, to respond to any major change.

Enabler 4: Change management

Such a major reform brings with it very high risk, such as loss of leadership, workforce exhaustion, clinical governance oversight and frustrated local communities. No matter the final reform option, good change management can minimise disruption and increase the likelihood that the reform objectives are realised. However, health services are concerned that issues with the development phase of the Plan — such as inadequate consultation processes, lack of communication beyond health service executives, and minimal detail on the proposed reform concepts — will carry over into the implementation phase if not addressed. Additionally, the capacity and well-being of health service leaders are currently stretched thin as many services are under pressure to meet tight cost containment measures.

The VHA's position:

- That the Victorian Government and the Department of Health commit to meaningful consultation and engagement through the announcement and implementation of the Plan. This includes consulting beyond health service CEOs and Board Chairs and building greater awareness of the change amongst key stakeholders, including the general public.
- That all proposed changes are clear and well-defined. Roles, responsibilities, accountabilities, and interrelationships of health services and the broader healthcare system are clear and publicly communicated.
- That the state government strives and is accountable for continuous improvement in implementing the Health Services Plan. Key processes and milestones for feedback and evaluation should be created, as well as indicators for success and a risk management plan that are made available for health services and relevant stakeholders.
- That the state government provides ongoing support to health services, including boards, CEOs and executives, throughout the reform process.
- That the reform process is conducted in a considered, not rushed, timeframe, given the potential magnitude of this reform.

Conclusion

The VHA supports the intent of the Health Services Plan, acknowledging that the Victorian public healthcare system needs to change to ensure accessible and high-quality care for all. Whatever the chosen reform option, support must be provided through adequate funding, building workforce flexibility, committing to robust and modern infrastructure and good change management. These are critical enablers that can determine the success or failure of such reforms. The current fiscal challenges facing publicly funded healthcare services present some significant questions on the extent to which reform can be achieved as the Plan may have envisioned.

On behalf of its membership, the VHA calls on the Victorian Government and Department of Health to address the issues raised in this paper and adopt the VHA's position on the enablers of successful reform.



For further information contact

Leigh Clarke

Chief Executive Officer

Leigh.Clarke@vha.org.au

03 9094 7777