



2024-2025 Victorian State Budget

Protecting the wellbeing of Victoria's public healthcare services

7 February 2024

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A note about language in this submission

In this submission, we use public healthcare services as an umbrella term for services that form a part of Victoria's healthcare system.

Unless otherwise named, Victorian public healthcare services also include:

- Health services or hospitals, which are part of the health service system
- Independent registered community health services, and
- Public sector residential aged care services.



The drivers of this budget submission

At the Victorian Healthcare Association (VHA), our purpose is to be a catalyst to strengthen the system of public healthcare services in Victoria.

A well-resourced sector, led by strong sector leaders who have the authority to innovate and collaborate, will deliver the best health and wellbeing benefits for all Victorians. However, as a peak organisation representing 113 members and a public health sector valued at \$26.8 billion, and with close ties to key stakeholders across the Victorian health sector, we also understand the fiscal pressures facing the Allan Labor Victorian Government in its third term.

Inflation rose sharply during the last financial year, both domestically and globally, and continues to impact on the cost of living for consumers and for governments. The implementation of the COVID Debt Repayment Plan in last year's State Budget sent a strong signal about the Victorian Government's commitment to restore the balance sheet over the medium term.

Our members recognise that within this context, there are some pressures the Victorian Government is facing that will be influential in the short term. The release of the Strengthening Medicare Taskforce Report in late 2022 contained some clear admissions about the state of primary care across the country. While the health system awaits the Commonwealth Government's roadmap, it remains certain that longer term reform and investment will be required before Victorians can reap the benefits of more accessible and affordable primary healthcare.

Part of the solution for this vision requires a level of coordination across the federal government and its agencies that has previously not been possible. Sustainable and predictable migration policies are required to build the health and social service workforce needed by our healthcare system. Health workers need to operate within their full scope of their practice with employers benefitting from fewer barriers to workforce flexibility.

Despite these policy challenges, the VHA believes that other factors impacting on our members and on the health and wellbeing of the Victorian community can be addressed by a financially responsible state government. The difficulties presented by the state's fiscal environment does not mean the government can afford to prioritise the health of the economy ahead of the health and wellbeing of the state. After all, healthy populations are more likely to participate in the workforce at a higher rate, and are less likely to report high absenteeism because of ill-health [1].

Victorian households are needing to manage their budgets with the rising cost of living, with wage growth still not keeping up with inflation [2].

Public healthcare services too must consider the cost of delivering services within tightening budgets. With cash reserves at reported lows, public healthcare services can only spend their available revenue.

This 2024-25 budget submission calls on the Victorian Government to maintain its key obligations to the healthcare system and the Victorian community; that is, that it must:

- fund the true cost of delivering healthcare to all Victorians by addressing the structural deficit for public healthcare services, and;
- intervene and mitigate the impact of 'thin markets' on healthcare for regional Victorians.

Our submission outlines seven components that we believe will achieve these objectives.

1. Fund the true cost of delivering healthcare to all Victorians by addressing the structural deficit for public healthcare services

The first component of our submission relates to closing the gap between the revenue provided to public healthcare services, and what it actually costs our members to deliver quality healthcare. This gap represents a **structural deficit** in how public healthcare services are funded and cannot be resolved by targeting 'inefficiencies' without devastating results for the performance of the healthcare system and thus the health of Victorians. The VHA believes that there are several ways to address the root causes of structural deficits.



Public healthcare services are not funded to meet the cost of Enterprise Bargaining Agreements



The Victorian public health sector employs more than 139,000 full-time equivalent staff [3]. These include doctors, nurses and midwives, medical scientists, allied health, mental health nurses, technicians, administrative and clerical staff, and a range of other staff working across more than one hundred locations around the state. While each Victorian public healthcare service is an employer in its own right, for many employee groups (for example nurses, midwives, medical scientists and allied health professionals) enterprise bargaining negotiations are conducted on a statewide basis, between the Victorian Government and the relevant union.

Public healthcare service funding has not kept pace with the salary increases delivered through these agreements. Under the current enterprise bargaining agreement for nurses, for example, nursing salaries have increased 3 per cent each year. By contrast, between July 2020 and July 2023, the indexation applied for a majority of health services ranged between 1.5 and 2.37 per cent. A small number of health services received 3.29 per cent in 2023 [4].

It remains critical that Victoria's healthcare workforce is remunerated in a manner that recognises and values their role within the sector. However, the Victorian Government and the Department of Health must recognise that this additional cost cannot be borne by public healthcare services without the requisite funding. All EBA increases should be factored into the health budget in full.

What is the VHA calling for?

The 2024-25 Victorian State Budget must align public healthcare service funding to meet all salary increases under Enterprise Bargaining Agreements, including new roles agreed through these negotiations, to enable all Victorian public healthcare services to better manage their balance sheets.

WorkCover premiums are increasing without the required revenue



Legislative and regulatory requirements, including that public healthcare services maintain adequate insurances for public liability, professional indemnity and workforce health and wellbeing, are continuing to increase in cost.

The challenges facing WorkCover and its financial health have been well documented in recent months, following the Victorian Government's decision to increase premiums in the last Victorian State Budget [5]. Since 1 July 2023, Victorian businesses have paid an average of 1.8 per cent of remuneration towards WorkCover premiums, exceeding the premiums in both New South Wales (an average of 1.48 per cent) and Queensland (1.23 per cent) [6].

Further to this change, VHA members that operate under multiple Workcover Industry Classifications[7] have also highlighted the impact of amendments to the annual premium capping arrangement. Independent registered community health services who previously were capped at 30 per cent for their maximum year-on-year premium increase will now pay up to 75 per cent more.

Earlier in 2023, the VHA conducted a member survey of independent registered community health services. Survey results showed that respondents will pay between \$50,000 and \$663,000 more this financial year for their WorkCover premiums (a median result of \$140,000 more than the 2022-23 financial year).

Public healthcare services will continue to struggle to absorb these additional costs. Without intervention by the Victorian Government, public healthcare services will be forced to reduce staffing; this will not only lead to staff burnout, but also longer waiting lists for some services and a reduction in affordable care – especially for vulnerable communities who are reliant on public healthcare services.

When the Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Bill 2023 failed to pass the Victorian Parliament in December 2023, and future increases to premiums are looking more likely, the VHA [raised its concerns in the media](#). A media release is available on [our website](#).

What is the VHA calling for?

The 2024-25 Victorian State Budget must fund new costs associated with any current or future increases in Workcover premiums, to better support public healthcare services to support the healthcare workforce.

Optimise support for Victoria's health workforce



While the long-term viability and design of the WorkCover scheme remains a key focus for government, there remains much more to be done to support the workforce to stay well and healthy. As noted by the Victorian Government in its *Mental Health and Wellbeing Workforce Strategy 2021–2024*, improved health experiences for the community arise from a stronger focus on workforce safety and wellbeing, which also promotes workforce retention. Training and education programs to build resilience are key to staff retention, but this cost is not met by the funding a health service receives to provide care. There are two aspects to the issue that policymakers must grapple with.

First, it remains evident that the health sector cannot prosper in an environment where the current rates of occupational violence and aggression continue. In the recent inquiry into the Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Bill 2023, the Australian Nursing and Midwifery Foundation (ANMF) noted that there were 10,099 incidents of occupational violence and aggression at 14 metropolitan hospitals in the last financial year [8]. Across the public healthcare sector in 2022, more than one in five employees (28 per cent) have experienced violence or aggression while at work [9]. Concerningly, however, only half (53 per cent) of staff working in public healthcare agreed that they feel their organisation supports their safety at work [10]. More investment is required to support training and development for the health workforce, to build the capability and resilience needed to manage and de-escalate aggressive patients and their family members.

This will ensure health services are not relying on 'last resort' measures such as security personnel. In this financial year, the VHA understands that some health services have subsidised the cost of security through other funding sources where staff are raising concerns about their safety and wellbeing. Second, more needs to be done to make it easier for workers in their late career stage to remain attached to the public health workforce, to contribute the rich skills and experience they have to offer. With the support of the Victorian Government, the Royal Women's Hospital has piloted a 12-month program to support senior nurses and midwives to dedicate one day a week to project work off the ward. Eight nurses and midwives are working on a range of quality improvement projects across Women's Health and Maternity Services, from looking at improving workflows in theatre and postnatal wards to offering post-birth reflections to women and families. Such innovative programs deliver great benefits to staff at participating hospitals, but with greater investment, have the potential to be embedded across the public health system and in a range of disciplines.

What is the VHA calling for?

The 2024-25 Victorian State Budget must include sufficient funding to enable all public healthcare services to better support the recruitment and retention of their employees, including improved education and training supports to keep them healthy and safe at work.

Maintaining support for communities vulnerable to the future effects of climate change



Sadly, natural disasters have become a predictable feature of living in Victoria, especially in rural and regional areas where communities have borne the brunt of devastating fires and floods. During the last decade, rural and regional health services and independent registered community health services have supported communities to recover from over 130 disaster events, with two-thirds of these events occurring in the last four years alone. This has involved supporting regional Victorians whose homes and businesses have been directly affected, as well as the organisations and business owners who hear about the trauma experienced by their community and assist with the clean-up.

Funding for initiatives like the Community Recovery and Resilience Program remain time-limited, despite the increasing evidence that bushfire and flooding events will become more common and more devastating. Funding these functions on a fixed-term basis prevents independent registered community health services from recruiting and retaining a high-quality workforce who develop expertise in emergency management. It also does not acknowledge that many of these healthcare professionals and community workers are undertaking this work while their homes and families are similarly under threat.

Existing funding for disaster recovery support ceases at the end of June 2024. Without an extension of this funding, independent registered community health services will lose the expertise built over time.

When a future natural disaster event occurs, independent registered community health services will be required to rapidly recruit and re-train teams to respond and support their local communities. This is a costly and time-consuming exercise that results in delayed and fragmented responses and a lack of continuity of care for communities who are often impacted for long periods after a traumatic event [11].

What is the VHA calling for?

The 2024-25 Victorian State Budget must fund an ongoing Community Recovery and Resilience Program in disaster-prone regions of Victoria. To begin with, this should be a four-year pilot involving each of the 11 independent registered community health services in rural and regional Victoria at \$10.2 million in 2024-25 (\$38.7 million over four years).

Improving implementation of Electronic Medical Records (EMR)



New and emerging technologies have potential to bolster public health initiatives and connectivity of care across the system. Digitalisation is a key principle that not only enables services to integrate more effectively both across services and across disciplines, but also ensures clinical risks to patients are better managed. Electronic Medical Records (EMR) are an important kind of technology that can facilitate this.

Not all the health services are embarking on this digital transition from the same starting point. The VHA understands that one in three public health services are still using a paper-based medical record system instead of EMRs. Transition from manual processes to an electronic patient record or client management system typically requires significant change management, and additional project staff to drive and coordinate a transformation project of such scale. Health services require additional support to successfully implement this future-proof system, and to ensure it is interoperable with their existing systems and processes.

The VHA is pleased that the Victorian Government has made some investments to establish EMRs in health services, such as the recent investment of \$12 million over four years to support health services in Gippsland to update their services.

However, this investment and support is required across the entire state of Victoria, especially small regional and rural health services who typically need more support.

The need for better records systems is becoming more apparent as policy settings look towards the digital health and increased connectedness of health services. It is essential that all health services have the digital capacity to meet these reforms effectively. Additional investment in EMR implementation is consistent with the objective of 'efficient, secure, paper-light healthcare' under Victoria's Digital Health Roadmap. This program of work is currently planned over the 2021-2025 period of the roadmap.

What is the VHA calling for?

The 2024-25 Victorian State Budget must invest in the rollout of Electronic Medical Records across Victorian public healthcare services. This should be achieved with a focus on small regional and rural health services, who typically need more support.

2. Intervene and mitigate the impact of thin markets on healthcare for regional Victorians

The second component of this submission relates to addressing the growing gaps in the equity of the healthcare system. Ensuring Victorians have timely access to care mitigates future, more costly impacts on the healthcare system. However, it is also an important matter of fairness, as access to healthcare becomes increasingly driven by the barrier of cost and geography.



Supporting publicly funded residential aged care



Across Australia, the aged care system plays an important part in supporting older people, particularly those who do not have a broader community, family or kinship network. Victoria has the largest public sector residential aged care (PSRAC) sector in Australia, providing about 10 per cent of the state's residential aged care capacity.

This equates to 5,611 operational beds with the majority located in rural and regional areas of the state. PSRAC services fill a critical gap in residential aged care services for older Victorians, often providing care to older people who experience socioeconomic disadvantage or where private sector market failure has occurred.

Because health services deliver residential aged care to older Victorians, they must meet the nurse-to-patient ratios set out in the *Safe Patient Care (Nurse to Patient and Midwife to Patient Ratios) Act 2015*.

VHA members continue to raise concerns about the unintended consequences of staff patient ratios in Victorian aged care settings. For example, services are required to staff at a much higher ratio than other residential aged care services elsewhere in Australia, placing an additional burden on the ongoing financial viability of their aged care service offering. Similarly, some VHA members have raised concerns about their capacity to retain a skilled nursing workforce, particularly where nursing staff are being deployed to carry out functions otherwise required of personal care assistants in other social service sectors (for example, bathing, menu assistance, and other daily activities).

The potential impact of these unintended consequences is significant. Insights from our members who deliver PSRAC services suggest that these challenges are forcing the closure of one in five public aged care beds, meaning **over 1,000 older Victorians are missing out on essential services due to bed closures across the state**. For those PSRAC services who can maintain a workforce to achieve the ratios, they continue to raise concerns about their future ability to do so.

The VHA supports an expansion of the existing employment model that enables undergraduate students of nursing to support the nursing workforce in Victorian public health services. The Registered Undergraduate Student of Nursing (or RUSON) model should be extended to Division 2 nurses, to support the delivery of holistic care and providing capacity to nursing staff to work to their full scope of practice.

What is the VHA calling for?

The 2024-25 Victorian State Budget must deliver policy strategies to address these unintended consequences, including consideration of flexible staffing models in impacted settings.

Bolstering primary and preventative care in regional Victoria



Victoria's rural and regional communities experience significant challenges in accessing affordable primary and preventative care due to a lack of local general practitioners (GPs) and health workforce. Access to GPs is projected to worsen in the next decade with GPs who work in remote areas (52 per cent) and GPs who work in very remote areas (47 per cent) more likely to retire than their metropolitan counterparts (43 per cent) [12]. This contributes to significant health inequities in rural and regional communities; the burden of disease increases with increasing remoteness for conditions such as coronary heart disease, type 2 diabetes, chronic kidney disease, lung conditions and suicide and self-inflicted injuries [13].

In Victoria, independent registered community health services care for some of the most disadvantaged community members who experience the greatest health inequities. These inequities exist due to the inaccessibility of required healthcare, resulting in poor management of chronic health issues, and increased use of ambulance services and emergency departments. Access to bulk billing and healthcare without long waiting lists is extremely challenging for marginalised individuals experiencing poverty and homelessness, many of whom have had negative and discriminatory experiences in mainstream health settings. Victoria's independent registered community health services are at the forefront of innovative, place-based approaches to prevention, early intervention and care in the community. They build people's knowledge, skills and confidence to understand their health and stay on top of their wellbeing.

Sunraysia Community Health Services (SCHS) in Mildura has previously implemented an innovative, evidence-based, cost-effective model that supports individuals ostracised and disconnected from community and experiencing inequitable access to healthcare [14]. CP@team is staffed by an available workforce of community paramedics, registered nurses and community connectors to engage with high-risk communities experiencing significant health issues. Teams work across the social determinants of health providing drop-in assessment, health checks and education, social connection, and system navigation in community settings. The model ensures that the lack of access to GPs does not compromise their access to primary care.

What is the VHA calling for?

The 2024-25 Victorian State Budget should invest \$23.6 million in 2024-25 (\$67.7 million over three years) to scale the CP@team model across 11 independent registered community health services in rural and regional Victoria.

Next Steps

In the lead up to the delivery of the 2024-25 Victorian State Budget, the VHA will continue to meet with key stakeholders, policymakers and decision makers to highlight the concerns of its members. We will also continue to provide strategic advice on how the Victorian Government can navigate the turbulent economic conditions while supporting the health and wellbeing of our public healthcare services, healthcare workers and our communities.





About the VHA

The Victorian Healthcare Association (VHA) is the peak body supporting Victoria's public health and community health services to deliver high-quality care. Established in 1938, the VHA represents Victoria's diverse public healthcare sector, including public hospitals, aged care and community health 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.

For further information contact

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References

1. See Joann Wilkie and Adam Young, Why health matters for economic performance, 2009, accessed from <https://apo.org.au/node/1239>
2. See the ABS 15 November release on the wage price index at [Wage Price Index, Australia, September 2023 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/australian-bureau-of-statistics/publications/australian-bureau-of-statistics-releases/wage-price-index-australia-september-2023).
3. Knowledge Bank - Public Health Workforce (vicknowledgebank.net.au)
4. <https://fac.dffh.vic.gov.au/dh-dffh-approved-yearly-indexation-rates-ngoero-0>
5. This followed a report by the Victorian Auditor General's Office in late 2021, which indicated that at 30 June 2021, the value of the outstanding insurance claims liability for WorkSafe had almost doubled over the last five years. See <https://www.audit.vic.gov.au/report/auditor-generals-report-annual-financial-report-state-victoria-2020-21?section=34007--2-financial-performance-and-position&show-sections=1#34007--2-financial-performance-and-position>
6. "Businesses blast 42 pc increase in Vic WorkCover premiums," Financial Review, May 19 2023.
7. For example, an independent registered community health service may pay premiums against multiple industry classifications if they provide general medical, dental, allied health and social assistance services, each of which is calculated on a different rate.
8. The transcript of the 12 December 2023 sitting of the Legislative Council Economy and Infrastructure Committee is available from <https://www.parliament.vic.gov.au/4aff54/contentassets/7ef3fad370114626a38c213491d2fca0/2.-proof---vthc-cpsu-hacsu-anmf---workcover---12122023.pdf>
9. See Drivers of wellbeing and engagement, available from <https://vpssc.vic.gov.au/data-and-research/people-matter-survey-data/drivers-of-wellbeing-and-engagement/>
10. See the Stress, Wellbeing and Engagement domains of the People Matters Survey, available from <https://vpssc.vic.gov.au/data-and-research/people-matter-survey-data/stress-wellbeing-and-engagement/#heading5>
11. The National Disaster Mental Health and Wellbeing Framework notes that disaster recovery funding should be up to five years following a major event, noting that recovery can take 10 or more years. See 28108 NEMA National Disaster Mental Health and Wellbeing Framework FA v4.pdf
12. Royal Australian College of General Practitioners, General Practice Health of the Nation 2022: An annual insight into the state of Australian general practice, accessed from <https://www.racgp.org.au/getmedia/80c8bdc9-8886-4055-8a8d-ea793b088e5a/Health-of-the-Nation.pdf.aspx>
13. Australian Bureau of Statistics, Regional population, 2021, cited at <https://www.aihw.gov.au/reports/rural-remote-australians/rural-and-remote-health>
14. SCHS adapted a program developed by McMaster University in Canada, titled CP@clinic. A ten-year evaluation demonstrated 19-25 per cent reduction in emergency calls and improved health cost effectiveness.

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