



Australian Health Care Reform Alliance

SUBMISSION TO THE SENATE FINANCE AND PUBLIC ADMINISTRATION REFERENCE COMMITTEE INQUIRY INTO *IMPLEMENTATION OF THE NATIONAL HEALTH REFORM AGREEMENT*

The Australian Health Care Reform Alliance (AHCRA) is a coalition of about 30 peak health groups working towards a better health system for Australia's future. We believe that all Australians are entitled to high quality and accessible health care, regardless of their level of income, geographic location or linguistic and cultural background. A list of AHCRA members is attached at Appendix 1.

AHCRA welcomes the opportunity to comment on the implementation of the Government's Health Reform agenda and, in particular, the recently announced cuts to public hospital funding. While AHCRA supports many of the overall aims and objectives of health reform, we believe that they have been undermined and negated by the way in which these cuts to the States for hospital funding have been managed by both levels of government.

AHCRA understands that the cuts announced in the Government's 2012-13 Mid-Year Economic and Fiscal Outlook 2012-13 (MYEFO) were stated to result from changes in the population estimates made by the ABS as a result of the 2011 Census. These estimates were then moderated by the Australian Institute of Health and Welfare's (AIHW) health price index that is designed to accommodate changes in medical inflation. This resulted in an approximately \$1.5 billion shortfall from the figure predicted in the predicted 2013/14 Federal Budget.

AHCRA appreciates that hospital funding is a complex issue which is impacted by a number of different and sometimes unpredictable factors, including population growth, medical inflation and health service utilisation. However, we are concerned that there does not appear to be agreement between jurisdictions on the way in which these factors are incorporated into the funding formula. Despite the fact that the States and the Commonwealth had signed a funding agreement, which was supposed to contain an indexation formula, there does not appear to be a shared understanding of the process of adjusting funds in accordance with changes such as revised population growth estimates.

Clearly, the changes in funding allocated by the Commonwealth are unusual and not welcome by State and Territory governments but there is some capacity for the States to absorb the cuts (as did all governments apart from Victoria) without passing on these cuts directly to hospitals. The main issue of concern for AHCRA is this lack of agreement between jurisdictions and their ongoing practice of blaming each other rather than working collaboratively to find a solution in the best interests of the Australian public. One overarching aim of the Federal Health Reform Agenda was to remove incentives for the continual 'buck passing' and blaming that occurred under previous funding arrangements and it is disappointing that this has not been achieved. The continual abrogation of responsibility for hospital services by both the Federal and State governments does not serve the interests of consumers or help build a sustainable health system over the long term.

AHCRA supports the suggestions made by Professor Stephen Duckett in his Submission to this Inquiry for improved management of this situation, including the following approaches:

- The cuts could have been phased in over a period of time
- A negotiation period could have been allowed for the States to discuss options for managing the cuts with the Commonwealth
- There could have been a greater lead time for the cuts to allow the states more time to manage their impact
- There could have been public consultation on the preferred way to manage the funding cuts
- The cuts could have been off-set against funding increases next year

However, while these measures may have reduced the impact of the funding cuts in this situation, we believe that the underlying cause of the dispute is political and that therefore a political solution is needed to prevent similar cases from arising in the future. This needs to involve an agreed, clear definition of responsibilities for hospital funding so that the potential for political game playing, cost-shifting and jurisdictional disputes is minimised. The Agreement clearly needs clarifying in this way, so that there is in effect a 'no surprises' intent to the Agreement.

This conflict also raises issues around the appropriateness of the current funding system that shares responsibility between state/territory governments.

AHCRA believes that the most appropriate funding system is one where there is a single point of accountability to maximise transparency and efficiency. This would reduce the potential for disputes over funding levels and responsibilities to occur and give the Australian public some certainty about the future of their hospital system. Given the difficulties the States and the Commonwealth are having in agreeing on funding formulas and processes for revising funding levels within the current system, AHCRA suggests that it may be timely to re-visit the debate over a single funder for all health services.

We also believe that hospital funding should only be for care that has to happen in the acute setting, otherwise the funding should be classified as primary health care and bundled into primary health care services. This will also help shift centre of gravity of the system away from expensive,

last-resort care to prevention and early intervention. This would result in a more efficient and equitable health system overall which delivers better health outcomes to consumers. It would also assist in preventing the health system becoming unaffordable and unsustainable within the next twenty years.

AHCRA thanks the Committee for the opportunity to present its views on this issue and is happy to provide additional evidence at a public hearing.

15 February 2013

**Australian Health Care Reform Alliance, c/o NRHA PO Box 280, Deakin West, ACT 2600 or
chair@healthreform.org.au**

Appendix 1: Current members of AHCRA

- Allied Health Professions Australia
- Audiology Australia
- Australian College of Nurse Practitioners
- Australian Council of Social Service
- Australian Federation of AIDS Organisations
- Australian Healthcare and Hospitals Association
- Australian Nursing Federation
- Australian Rural Health Education Network
- Australian Women's Health Network
- Australian Wound Management Association
- Chiropractors' Association of Australia
- Chronic Illness Alliance
- Continence Foundation of Australia
- Country Women's Association
- CRANaplus
- Doctors Reform Society
- Family Planning Victoria
- Health Care Consumers' Association (ACT)
- Health Consumers Network
- Health Consumers of Rural and Remote Australia
- Health Issues Centre
- National Council on Intellectual Disability
- National Rural Health Alliance
- Paramedics Australasia
- Public Health Association of Australia
- Public Hospitals, Health and Medicare Alliance, Queensland
- Royal College of Nursing Australia
- Services for Australian Rural and Remote Allied Health
- Tasmanian Medicare Action Group