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Senate Finance and Public Administration Committee
P.O. Box 6100
Parliament House
Canberra ACT 2600

Dear Committee

Re: Inquiry into the Implementation of the National Health Reform Agreement

We thank the Committee for the opportunity to make this submission on the Implementation of the National Health Reform Agreement (**Agreement**). We make this submission on behalf of our members who are subject to this Agreement.

About the Association
The Health Services Association of NSW (**Association**) is one of the oldest NSW health industry representative organizations. Established in 1921 the Association represents government and non-government public hospitals.

The *Health Services Act 1997* (NSW) recognizes establishments or services of particular non-government charities or institutions as public hospitals. These public hospitals are called Affiliated Health Organisations (**AHOs**). As public hospitals AHOs come under the direct control of the NSW Minister for Health and are funded directly from consolidated revenue by way of subsidy. Government managed public hospitals and these AHOs make up the NSW public health system. There are approximately 21 AHOs operating in NSW.

The National Health Reform Agreement specifically refers to and accommodates the charitable public hospital in clause A53.

Responses to the Committee's questions

1. **The impact on patient care and services of the funding shortfalls**

While it is too early to quantify the impact and the extent of the impact, indications at this stage strongly suggest the funding shortfalls will result in a significant diminishment of important patient care and services. For example, a Member of the Association has indicated that it expects to have a shortfall of $790,000 in palliative care funding. This member is a large regional hospital specializing in palliative care. This shortfall will mean patients and their families will be denied important and valuable medical services at an extremely critical time. In this particular case patients will either die in acute care beds, meaning other non-palliative care patients needing these acute care beds will be denied access to them, or, the palliative care

patient will die at home where their family without any medical support will be forced to care for them.

Public hospitals cannot be expected to provide unfunded services.

We are of the view the Commonwealth's withdrawal of funding will cause significant diminishment of patient care and services.

2. **The timing of the changes as they relate to hospital budgets and planning**

We are of the view that the real issue is not the timing. We have been warned by the NSW Government of the imminent funding shortfalls and have been warned that the NSW Government would not be making good the shortfalls. The real issue, in our view, is that there has been no preparation of budgets and associated planning for the loss of funding. This is because many believe the shortfalls will not occur. That is, the Commonwealth would not withdraw funding.

3. **The fairness and appropriateness of the agreed funding model, including parameters set by the Treasury (including population estimates and health inflations)**

We understand that the 'agreed funding model' which the Committee refers to is Activity Based Funding (**ABF**).

Of itself ABF in theory is a fair and appropriate funding model for public hospital services. A public hospital is funded for each activity which it undertakes.

The practical unfairness and inappropriateness of ABF stems from the 'services' which the model identifies.

As NSW public hospital services have evolved since the inception of the first public hospital in 1838, many of the services provided by public hospitals fall outside of the 'services' covered by ABF. This ultimately means either the NSW Government directly covers these services or they are no longer provided.

We are of the view that this unfairness and inappropriateness can only be remedied by the inclusion of all public hospitals as currently provided in NSW be covered by ABF. While we appreciate that this will significantly complicate the ABF, we see no other option.

The ABF should be funding public hospital services which the NSW community deems to be public hospital services and not what the ABF deems the services to be.

4. **Other matters pertaining to the reduction by the Commonwealth of National Health Reform funding and the National Health Reform Agreement**

While the first National Health and Hospitals Reform Agreement represented a substantial step forward in the provision of public health services across Australia, the eventual third Health Reform Agreement is but a mere shadow of the first Agreement. We are of the view

that Treasury saw that the First Agreement was giving too much away to the States and Territories and therefore sought to have the Agreement renegotiated.

Thus we have lost confidence in the Commonwealth's reform of health. It would seem much more to do with media headlines than with substance.

The following are important issues which the National Health Reform Agreement has failed to deal with:

- It has failed to change the status quo. That is, there is not a seamless patient pathway from GP to public hospital to aged care facility. The National Health Reform Agreement has failed to bring all health funding under the one funder. State versus Commonwealth funding remains. As long as this divide remains meaningful health reform is not achievable.
- It has failed to fund capital. A central question for NSW public hospital administrators is finding much needed funds to fund capital replacement and expansion. Most NSW public hospitals are old and unable to fully meet the need of a growing and ageing population. However, where do you find the capital funding? Under the first National Health and Hospitals Reform Agreement the Commonwealth committed itself to paying 60% of capital funding. This represented for the first time another real source for capital funding for hospitals. Unfortunately and without explanation the Commonwealth withdrew this commitment.
- It has failed to provide meaning primary health care reform. The National Health Reform Agreement failed to merge public hospital outpatient services (i.e. allied health care) and other allied health care and GP services funded by Medicare to define primary health care. With the Commonwealth's commitment of funding 100% of primary health care, this would have seen the primary health care sector expand to take pressure of public hospital inpatient services. At present Medicare Locals are not formally and appropriately integrated with public hospital outpatient services and therefore not integrated with public hospital inpatient services.
- It has failed to provide appropriate level of funding. The Australian community rightfully expects the Australian public health system to be able to provide up-to-date treatment for a wide variety of health care needs. This expectation has been fuelled by State/Territory and Commonwealth Governments over the years. However, funding by way of the Medicare Levy cannot meet the funding levels required to meet this expectation. We are of the view the Commonwealth needs to be honest with the Australian people and explain to them that current funding level is inadequate for a modern and progressive public health system, and that funding needs to be significantly increased but new revenue streams is required to fund this increase now and into the future. The National Health Reform

Agreement is the best vehicle for the Commonwealth to reform funding of the public health system.

Conclusion

We believe the approaching funding shortfalls will result in the diminishment of patient care as services that were once funded by the Commonwealth will no longer be funded.

We believe that for the Commonwealth to bring about meaningful reform to the public health system it needs to resurrect the first National Health and Hospitals Reform Agreement and build upon it, and it needs to redefine primary health care so that public hospital outpatient services and all other Medicare funded services are deemed primary health care.

We also believe the Commonwealth needs to expand the first National Health and Hospitals Reform Agreement to bring about meaningful and sustainable reforms to the Australian public health system.

We thank the Committee for considering our submission.

Yours sincerely

James McGillicuddy
Chief Executive Officer