



FOR GENERAL DISTRIBUTION

PROPOSED *HEALTH AND HOSPITALS NETWORK*

Background

In announcing its proposal to establish The National Health and Hospitals Network the Government claims that the planned structural reform of Australia's health system will constitute "the most significant reform to our nation's health system since the introduction of Medicare". The proposal is presented as building on recommendations made in the report of the National Health and Hospitals Reform Commission.ⁱ

Full details of the proposal are contained in the report, *A National Health and Hospitals Network for Australia's Future* (the Report).ⁱⁱ

The basics of the proposed National Health and Hospitals Network are:

- the creation of a single national network of hospitals, instead of eight separate systems within each state/territory
- the Commonwealth providing the majority of health funding
- the establishment of local networks, overseen by boards empowered to make decisions regarding local hospital administration

Main features of the proposal:

Commonwealth funding responsibility

Under the proposal, the Commonwealth will provide 60 per cent of the funding for all public hospitals – by providing "60 per cent of the efficient price of every public hospital service delivered in Australia". (The Commonwealth's current contribution, under the National Healthcare Agreement, is approximately 35 per cent). States/territories will be responsible for meeting the remaining costs, including costs in excess of the "efficient price" and the remainder of research, training and capital costs.

Of great significance for AFAO members, is that the Commonwealth will also take on responsibility for the funding of all health services provided outside hospitals, including for GPs and community health clinics.

To fund the transfer of responsibilities to the Commonwealth, the Government proposes that the Commonwealth will retain a third of the GST currently directed to the states and territories - investing this directly into health services and hospitals. As outlined below, the Report also details Commonwealth Budget and other health funding announcements made over the last few years.

Hospitals

Under the proposal, the Commonwealth will "use its position" as majority health funder to establish and apply national standards for hospital services, including for elective surgery and emergency departments. There will be "transparent reporting" including for emergency and elective surgery waiting times, bed occupancy rates, adverse event reporting and hospital acquired infections.

GP and primary health care

The proposed restructuring of GP and primary health care is highly relevant to AFAO members.

The Commonwealth's "national standards" applying to hospitals will also apply to GPs and other primary health care providers, including community health centres, subsidised GP clinics, allied health services, child and maternal clinics, drug and alcohol services, and community mental health services and allied health services. With the aim of "improving clinical governance", areas covered by the standards will include:

- access to GPs and other health professionals
- financial performance and efficiency
- safety and quality issues

Three national governance systems will be created – incorporating a pricing function, a performance and auditing function, and a clinical standards function.

The Report notes that 36 GP Super Clinics are being established, with an infrastructure that will "bring together GPs, nurses, visiting medical specialists, allied health professionals and other health care providers to provide integrated, multidisciplinary care ... (which) will particularly benefit Australians with chronic and complex diseases."

Local Networks

The Commonwealth proposes to move or devolve the control of hospitals from central bureaucracies to newly established Local Hospital Networks, operated by local health and "financial" professionals.

The Local Hospital Networks will comprise small groups of local hospitals (generally one to four hospitals), which will collaborate to provide care for patients. Each Network will be a separate state/territory statutory authority, which will manage its own budget and be directly accountable for their performance. States and territories will be empowered to decide, for example, whether to incorporate smaller regional and remote hospitals within larger Local Hospital Networks or whether to create further networks.

The Commonwealth will directly fund each Local Hospital Network for the services it delivers (in place the current arrangement where the Commonwealth funds the States for delivery of services, via block grants).

Rationale for the reform

According to the Report, the proposed fundamental restructuring of the health system is responding to fiscal and quality of care challenges posed by:

- the fragmentation of the current system, which results in wasteful duplication, cost-shifting, funding disputes and blame-shifting between levels of government and contributes to long waiting times
- blurring of boundaries of responsibility in the current system, which results in confusion on the part of consumers as to where responsibility for healthcare lies
- the growth in the burden of chronic diseases (diabetes is noted as a primary example)
- the existence of gaps in the current system due to its fragmentation, creating unmet need – notably among "people living with chronic disease"
- concern that Australia's rate of hospital admissions is higher than comparable countries such as the U.S., New Zealand and Canada, indicating inadequacies in community health care
- the ageing and growth of the population
- the increased cost of health technologies (as per the 2010 Intergenerational Report)

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- workforce shortages – particularly in rural and regional Australia, the need to enhance the skills of the existing health workforce, and the need to utilise the “expertise and commitment” of local clinicians “and citizens” in the delivery of health services to their local community
 - primary health care access and equity issues - especially for people living in rural and regional areas in need of out of hours GP services

The Report argues that the current health system is no longer viable and that without fundamental restructuring, state/territory governments will be placed under overwhelming and unsustainable financial pressure.

Funding the reforms

In addition to outlining the plan to retain a third of the GST currently distributed to the states/territories, the Report outlines recent boosts in Commonwealth health funding, including the November 2008 \$64 billion agreement on health and hospitals funding for the next five years (which is stated to have delivered a 50 per cent increase on previous Australian Health Care agreements). The Report also refers to the Government’s existing investment commitments, for example:

- \$600 million in an elective surgery waiting list reduction plan
- \$872 million in preventative health programs (and the establishment of the Preventative Health Agency), targeting populations and communities with chronic disease
- \$1.6 billion in Close the Gap measures
- \$3.2 billion in state/territory hospital, medical research and clinical training infrastructure projects
- \$10 billion commitment to provision of aged care places and community care (for 2009/2010)

Next steps

The Government states that it will take the reform package to COAG in April, to seek the states and territories agreement.

Once agreement is reached, the Commonwealth and states/territories will work on implementing the new arrangements.

ⁱ available at <http://www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/nhhrc-report-toc>

ⁱⁱ available at [http://www.health.gov.au/internet/main/publishing.nsf/Content/nhhn-report/\\$FILE/NHHN%20-%20Full%20report.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/nhhn-report/$FILE/NHHN%20-%20Full%20report.pdf)