

# Acute Care

In an environment of fiscal restraint and increasing demand for public hospital services there is widespread recognition of the importance of better integrated care across sectors in the health system.

The Commonwealth, States and Territories previously agreed to a range of reforms as part of the 2011 *National Health Reform Agreement* and *National Partnership Agreement on Improving Hospital Services*, which included incentivised targets for emergency department and elective surgery access (now defunded but still reported against).

Governments also introduced an activity-based funding (ABF) system for public hospitals under which the Independent Hospital Pricing Authority (IHPA) determines the national efficient price (NEP) for hospital services.

In 2014, the Commonwealth walked away from the 2011 bipartisan agreements choosing to instead fund its share of public hospital funding based on population and CPI growth, effectively cutting \$57 billion in public hospital funding from 2017–18 until 2024–25.

In 2016 the Commonwealth through bipartisan agreement, committed to fund 45% of ABF efficient growth in public hospital services paid at the NEP in a growth formula capped at 6.5% per annum from 2017–18 over three years.

## AHHA POSITION:

- ✧ The Commonwealth, States and Territories have a shared responsibility for funding health services.
- ✧ Public hospitals should focus on service value and provide patient services that are better coordinated with local primary healthcare, disability and aged care providers.

- ✧ Good funding models should be patient based, support appropriate care in the most appropriate environment and accommodate unavoidable cost variations.
- ✧ ABF can be an effective mechanism to achieve consistency and transparency in health service funding, but Australia's model is a cost reduction model that values technical efficiency above improved equity and clinical outcomes.
- ✧ The AHHA supports the Commonwealth's recommitment to ABF and COAG's greater focus on improving safety, quality and efficiency while reducing preventable hospitalisations. Further work on the ABF and NEP methodologies to incorporate these goals should be progressed.
- ✧ The additional \$2.9 billion in public hospital funding over three years from 2017–18 is a welcome partial turnaround from the \$57 billion cuts imposed in the 2014 Budget.
- ✧ Improved funding will provide some relief for public hospitals, but effort is needed to reduce the increasing demand for hospital services. Primary care reforms, such as ensuring adequate financial support, appropriate workforce and service structures, will be critical to this work.
- ✧ The Commonwealth must minimise any adverse impact on public hospital services demand associated with its 2016–17 Budget measure seeking to save \$1.2 billion in aged care provider funding over 4 years, as hospitals traditionally pick up complex care when the aged and community care sectors cannot deliver appropriate support.

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