

Sustainable Solutions for the Funding of Public Hospitals

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Australia's public hospitals must be focussed on value for performance and provide patient services that are better coordinated with local primary healthcare providers. These were some of the key messages from the *Think Tank on Sustainable Funding for Public Hospitals* recently convened by the Australian Healthcare and Hospitals Association (AHHA).

This Think Tank brought together around one hundred health system leaders to consider a range of issues to ensure the future sustainability of funding for public hospitals. This was in the context of the twin white paper processes on reform of the Federation and the tax system, in addition to the Commonwealth government's Budget decision to change growth funding for public hospitals from 2017-18.

In an environment of fiscal restraint and ever present demand for hospital services there is widespread recognition of the importance of better integrated care across sectors in the health system. The Reform of the Federation process provides a rare opportunity to re-examine how patient care is provided across all points of contact within the health system.

Value with the healthcare provided was identified as an important element of healthcare reform. The challenge of increasing chronic disease, multi-comorbidities and how the health system responds to these pressures was also a consistent theme raised by Think Tank participants. The advantage of regional decision making, along with the necessary associated funding, was recognised to ensure that local responses can be tailored to the needs of their populations and individual patients. There was also acknowledgement that a single funder for coordinated care would assist in controlling costs and resolving accountability issues. By better aligning interests across the health sector, there is the potential to both improve patient care and achieve system efficiencies.

Value in Healthcare

Value with the healthcare currently being provided should be a high priority with a change to incentive structures to reward key decision makers by incentivising for value.

The value of healthcare is the patient health outcomes achieved per the number of dollars spent. By focussing on the value of expected outcomes from individual treatments, limited resources can be directed to achieving the greatest overall health benefit. How this would be measured and achieved in practice remains to be determined and will require a shift in how care is measured within the health sector. Two examples raised at the Think Tank were providing information to clinicians on the cost of materials, tests and treatments used during a patient's care, and the identification of futile care. The former is unit level costing exercise that has already achieved some success, while the latter raises more challenging ethical considerations.

Providing Services - Coordinated Care Across Sectors

Coordinating care across the patient journey is as an urgent issue that needs to be addressed within the health and aged care sectors.

Coordinated care contrasts to the current episodic care which then becomes a more significant issue with the management of chronic and complex conditions requiring care from many providers, often across points of contact, and over time. While this expands the focus on care beyond services provided by hospitals, it also recognises that an individual's circumstances prior to being treated in hospital are often the result of inadequate care in the primary healthcare sector or the broader community, including the aged care sector. As an example, evidence was reported that the NSW Chronic Disease Management Program identified the importance of early intervention - by the time people are receiving care in the hospital system it can be too late to optimally manage their condition.

If care was better integrated between primary, acute and aged care, there would be a significant incentive to avoid costly hospital admissions through more effective primary care and community based management of an individual's health care needs. Regionally coordinated care is also likely to be more responsive and an important dimension of this reform. In terms of the Reform of the Federation, this would provide a powerful reinforcement of the principles of accountability, efficiency and effectiveness.

Integrated care could be provided at a prospectively lower cost to the overall health system. To enable this to be achieved, financial and operational incentives need to be aligned. One way to achieve this is to place overall responsibility for both primary and hospital care with one organisation. This could be within a tier of government or a regionally based organisation. For integrated care to be effective, governance and design issues are important to align incentives and for results to be assessed not by the outputs produced, but by the health outcomes achieved.

As part of a re-design of care to a coordinated approach, the role of community based care must also be clarified and articulated. The provision of community based care can be ad-hoc and lacking a coherent strategy, yet can also potentially provide an effective means of providing individual and population based support outside of the clinical setting.

Funding of Services - A Single Funder for Coordinated Care

A single funder of healthcare, either in one level of government or with smaller regional bodies, could commission the services required for a patient's continuum of care.

The twin processes of reform of the Federation and the tax system provide the means to facilitate integrated care by establishing such a single funder. This could be for all primary and acute care services or only for identified conditions where the opportunities for gains from coordinated care are the greatest. By centralising the funding of healthcare in one level of government or with smaller regional bodies, this would internalise both the costs and the benefits of better integrated care, and interventions to minimise the need for care. This would lead to system efficiencies and improved patient outcomes.

By having a single funder for coordinated care, accountability for the effectiveness and efficiency of the way services are provided is also more clearly established. It would remove perverse incentives to cost shift, which often only serve to dilute the patient experience and entrench inefficiencies in the health system. It would also provide incentives to ensure there is value in the healthcare services being provided.

Moving to a single funder for coordinated care would also facilitate meeting the Reform of the Federation principles of accountability, efficiency and effectiveness.

Regional Commissioning of Integrated Healthcare

Integrated healthcare should be commissioned at the regional level to ensure that health services are best suited to meet regional need.

A single funder for coordinated care services could operate at a number of levels - Commonwealth, State/Territories or at a smaller regional level. However, there is a wide recognition of the importance of healthcare being provided as far as possible at the local level. This is consistent with the Reform of the Federation principle of subsidiarity. The potential for primary health networks (PHNs) to fulfil this role was identified, though there was also discussion at the Think Tank as to whether they may be too geographically large to appropriately respond to local needs in this regard.

Devolving responsibility for the commissioning of healthcare services across a patient's journey of care at regional level would represent a significant and bold move to meaningfully realise the goals of better integrated healthcare. The Reform of the Federation process provides the ideal mechanism to crystallise this potential.

Durability and Sustainability of Healthcare Responsibilities

Any changes made to the responsibility for the delivery of healthcare and the funding of these services must be durable with a long term vision for the fiscal sustainability of the healthcare sector.

Our current system has been described as one of reciprocal interdependence where the actions of one tier of government have an impact on the other. In an environment of fiscal constraint, the focus is often on the sustainability of resources allocated to providing government services.

But perhaps equally important is the durability of any new arrangements that might be made with respect to the responsibility for the delivery and funding of public services. Recent Budget decisions by the Commonwealth Government highlight the transient nature of inter-governmental agreements and the need to rebuild trust between the Commonwealth, States and Territories. This also highlights the need for both tiers of government to recognise the mutual necessity for fiscal sustainability in the provision of public services.

As part of the Reform of the Federation process, it is therefore vital that any changes relating to responsibility for the provision of healthcare services and for the funding of these services should provide both a level of flexibility to respond to evolving circumstances, but also have a level of permanence. This speaks to the Reform of the Federation principle of durability. Associated with this, tax reform must ensure that appropriate funding sources are coupled with service delivery responsibilities to ensure fiscal sustainability.

Closing Remark

The twin process to reform the Federation and the tax system provide an ideal opportunity to remove much of the fragmentation within our health system. This relates to both service provision and funding responsibilities, which can then lead to system efficiencies and improved patient care. The opportunities are well known, with the need to better align interests and remove perverse incentives.

While the need to increase funding to the health sector has been telegraphed to the community in the context of an ageing population, increased community expectations and the ever increasing costs of new medical technology, there remains still the opportunity to achieve more with what we already have.

Ensuring value with healthcare, providing integrated care across the patient journey funded by regionally based bodies as a single fund holder, is an effective way to realise these goals.