SPEECH | A FAIR GO FOR AUSTRALIA

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SPEECH TO WORLD HOSPITAL CONGRESS

BRISBANE

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*** *CHECK AGAINST DELIVERY* ***

Acknowledgements

The last time Australia hosted the World Hospital Congress was more than 20 years ago, in 1997.

At that time, Australia was deeply mired in the “hospital wars” – a seemingly endless battle between Commonwealth and State Governments about how to fund our public hospitals.

Australia’s public hospitals were then – and still are today – owned and operated by the states and territories.

And up until the Second World War, they had sole responsibility for funding them.

That changed in 1945, when the Commonwealth took over the power to tax income – giving it far greater revenue-raising powers.

From then on, the Commonwealth's contributions to state hospital budgets were negotiated through five-yearly agreements.

These negotiations would almost invariably generate tension and acrimony between the Commonwealth and the States, as both sides accused the other of failing to pay their fair share.

By the late 1990s – the last time Australia hosted this event – it was painfully obvious something had to change. Negotiations in 1998 and 2003 were particularly rancorous.

That's why in 2007 the Labor Party campaigned and came to power promising to end this blame game.

In 2011, our National Health Reform Agreement sought to replace the ad-hockery of the five-yearly deals with the long-term certainty of an activity-based funding formula that rewarded efficiency.

That was an historic change – the crucial first step in remaking our hospital funding system for the 21st century.

It was a reform that the current conservative Government tried to unpick in 2014, when it announced it would scrap activity-based funding and revert to the previous system.

Thankfully they came to their senses and reversed course – meaning we now have

what appears to be a bipartisan commitment to activity-based funding in this country.

Although I do note the current conservative government has decided to pick a fight over retrospective funding with the States, most publically Victoria and Queensland, which has the potential to derail this.

Indeed, the two major parties in this country still have some stark differences over hospital funding levels.

We believe the Commonwealth should fund an equal 50 per cent of efficient price growth – just as we agreed in 2011.

The conservatives on the other hand have committed to funding just 45 per cent – meaning they're delivering billions of dollars less and, in our view, ensuring the blame game continues.

Now, it's not my intention today to dwell on this partisan fight.

There will be plenty of time for that in the coming months as we approach the next federal election.

But what I will say is this: our hospitals are still facing ever-rising demand and increasing acuity – so there's still a need for the Commonwealth to pay its fair share.

There's no way around it: raw investment still matters.

And when the Commonwealth isn't paying its fair share, it undermines its ability to lead a genuine reform agenda.

The Commonwealth can hardly insist on conditions to its funding if the states believe that funding is inadequate.

But enough politics.

What should Australia's hospital reform agenda actually look like? How do we build on the foundations we've built over the last 10 years to deliver better quality care?

Activity-based funding has already made our public hospitals more efficient.

That's a good thing, because it allows more services to be provided within the same budgets.
There is of course still much more to be done here.

Health resource waste within the hospital system, particularly in the context of the perfect storm of ever-increasing demand for increasingly expensive servicers, in an environment of budget constraint, will remain an important area of work.

But now we need to work with the states and territories to make our hospitals more effective. Activity-based funding gives us a platform to do it but we still need to drive these changes.

One of the problems with the current system is that we don't pay hospitals for what they don't do.

They have no financial incentives to prevent admissions, and limited incentives to prevent readmissions.

We need to create those incentives.

Ten years ago, Australia's Health and Hospitals Reform Commission said: "We recommend there be financial incentives to reward good performance in outcomes and timeliness of care."

So this is not a new idea. It simply comes down to whether there is political will to deliver these sorts of changes.

Penalising poor safety is one thing. But we also need to think about how we reward quality care.

To achieve the best possible levels of hospital care we need a carrot and a stick.

Ultimately, I want a system in which we focus on and invest more in prevention and primary care so that everyone who can avoid hospital does.

And I believe we must find ways to encourage hospitals to actively be part of that process rather than removed from it. I'd like to see hospitals actually investing some of their resources into preventative healthcare in their communities.

Better integration will be key to achieving this vision.

Clinical care in this country, and in many of yours I'm sure, remains too fragmented. All too often GPs, specialists, hospitals and outpatient services still operate in silos.

We need better horizontal and vertical integration – between doctors and specialists, and between primary and speciality care, and between hospitals and primary care and outpatients.

This is particularly important to address the growing issue of chronic disease.

So yes, we need to find opportunities for hospitals to work outside their four walls. Today's sub-theme of "From Four Walls to the Neighbourhood" is by no means a new concept.

It's a simple acknowledgement of the obvious: that an "episode of care" extends well beyond the hospital walls – often involving GPs, specialists, pathologists and pharmacists – and the better we integrate those elements the better the care will ultimately be.
Before I conclude, I also want to touch briefly on the role of private hospitals.

In Australia private hospitals play an important role in the provision of non-urgent care, particularly elective surgery.

And while the political fight of recent years has of course been firmly focused on the public system – which is entirely appropriate – it's still important to acknowledge that private hospitals account for nearly half of all hospitals in this country.

And it's important to note too that the Commonwealth – and by extension all Australian taxpayers – are substantial financial stakeholders in private hospitals, most notably through our sizable subsidies for private health insurance premiums.

In general, private hospitals in Australia are experiencing a drop in demand. That is being driven by a number of factors: decline in the number of people holding private health insurance; increasing concern over costs of utilising private health insurance and increasing gap payments when it is used; improvements in the amenity of many large public hospitals and offerings for private patients within the public hospital system as well as the view that private patients are a growing

source of additional revenue for public hospitals in a constrained budgetary environment.

The challenge of course for governments is that within the private hospital system the policy levers available to drive the same sort of efficiencies and effectiveness measures being pursued in the public system, are weak or simply not available.

Governments to date have either been ignoring the problem or tackling it in a piecemeal way by focusing on parts of the problem in isolation.

But given the importance of the private hospital system in the overall mix here in Australia Labor has said that the private hospital system must be part of the hospital reform conversation going forward.

And it's why private hospitals – and how they interact with our public hospitals – will be an element of a root-and-branch Productivity Commission inquiry into the private health insurance system, which we announced earlier this year.

I'm also considering the establishment of a permanent Australian Healthcare Reform Commission.

This commission would have a broad mandate to continuously monitor and improve our entire hospital and healthcare system. It would focus on developing, trialling and evaluating new models of care that seek to improve quality and safety – and where possible bring down costs.

Such a commission wouldn't win us many votes – but it could be one way to break us out of the short-termism that can afflict policymaking in this country, and I'm guessing in many of yours.

So, Australia has made some progress since last we hosted this event – but clearly there's much more to be done.

That's why events like this are so important. Many of us are grappling with the same problems - by working together and exchanging ideas hopefully we can move closer to solutions.

Thank you.

ENDS

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