

Hospital Services

Hospitals play a key role in our health system, providing care for those who are injured or unwell; and contributing significant leadership to clinical research and training. A strong and well-funded public hospital system ensures that all Australians have access to hospital care if they need it.

Reducing preventable hospitalisations in order to improve health outcomes and reduce unnecessary healthcare system costs is a longstanding concern. Finding solutions requires cross-sector effort, investment, research and system redesign. Solutions will only be found if there is collaboration and shared responsibility across Commonwealth and state/territory governments, the acute and primary care sectors, and the public and private sectors.

Variation in the volume and cost of healthcare provided across Australia indicates that there may be differences in healthcare access or appropriateness. Addressing this variation is central to ensuring effective sustainable health services and the best possible health outcomes for all Australians.

While the states and territories are the system managers of public hospitals, these services are jointly funded by the Commonwealth, state and territory governments; and they may be delivered through public-private partnerships. The current public hospital agreement is due to expire in mid-2020.

By December 2018, six states and territories had signed a Heads of Agreement on Public Hospital Funding and Health Reform, to inform a new 5 year national health agreement. The Heads of Agreement acknowledges the shared responsibility to improve system integration and interoperability, and to develop long-term system reforms including paying for value and outcomes; and joint planning and funding at a local level.

The Commonwealth Government currently is committed to funding 45% of efficient growth in public hospital services, based on activity-based funding methodology. Additional funding is provided for specific purposes, including through national and bilateral agreements.

AIHW reports have shown that in the three years to 2014–15, hospital activity rose by 6%, while spending rose only 5%. The cost of delivering an average service to acute admitted patients ranged from \$3,300 to \$6,400 in 2014–15, depending on the hospital.

Value-based care is emerging as a solution to address rising healthcare costs, clinical inefficiency, variation and service duplication, and to achieve better health outcomes. Funding for value requires a move away from

the traditional fee-for-service model, with greater integration of care across different services. Standardised high quality data on the outcomes and quality of care is also needed.

AHHA POSITION:

- ✦ The Commonwealth, states and territories have a shared responsibility for funding health services.
- ✦ Sufficient funding is required to meet growth in demand for public hospital services, but effort is needed to reduce increasing demand. Primary care reforms, such as ensuring adequate financial support, appropriate workforce and service structures, will be critical to this work.
- ✦ Agreements between the Commonwealth and the states and territories must be formalised and operationalised at regional level through Primary Health Networks and local hospital districts to:
 - Establish consistent governance arrangements for regional needs assessments, priority setting and pooling of funds;
 - Coordinate and integrate approaches to reducing preventable hospital admissions and presentations;
 - Address health and social inequalities, making better use of data and technology, promoting better engagement between service providers and patients, and improving transitions of care.
- ✦ Hospital services must shift towards a value-based system that is patient-centred and supports efficient, effective and equitable care that produces demonstrable outcomes.
- ✦ Funding models should be patient-centred, while enabling appropriate care in the most appropriate environment and accommodating unavoidable cost variation. This will require hospitals to provide services that are better coordinated with local primary healthcare, disability and aged care providers.
- ✦ A greater focus on improving safety, quality and efficiency while reducing preventable hospitalisations is needed. Further work on the activity based funding methodology to incorporate these goals should be progressed.
- ✦ Development and implementation of interoperability standards are needed to support better information sharing across the health system.
- ✦ A whole-of-system framework should be developed for a nationally-consistent and coordinated approach to the collection and use of patient-reported experience and outcome measures (PREMs and PROMs) across the health system.