

# 2023-24 Pre-budget Submission

*The future of Australian health care should not be defined by our challenges, but by the way we respond to them... with people and communities at the centre.*

**The Australian Healthcare and Hospitals Association (AHHA) is calling for investment in the leadership to align approaches for the necessary health system reform in delivering the outcomes that matter to people and communities, sustainably and equitably.**

**Creating a health system that delivers the outcomes Australians deserve will require team-based and integrated care. Enabling the adoption of innovation in new models of care requires a strong and supported health workforce and appropriate funding levers.**

## What are the issues?

The establishment of Medicare revolutionised health care in Australia, with a focus on providing universal access to the health care people need, when they need it.

Almost four decades have passed and much has changed; in both the health conditions that people manage and in the way care can be delivered. However, Australian health policies have not kept pace with change.

The COVID-19 pandemic has exposed and exacerbated inequities in Australia's health. Our most vulnerable Australians have not had access to the care they deserve.

We know that gaps in health equity will only widen if we do not also turn our attention to health care that has been delayed or deferred during the pandemic.

Expectations of reverting to 'business as usual' are unrealistic if health outcome and inequities are to be improved.

Yet, while the pandemic has driven many changes in the way care is delivered and provided opportunities for innovation, transitioning the healthcare workforce and services to new and different ways of working remains an ongoing challenge.

## What are the solutions?

Understanding what matters to people, and how the Australian healthcare system can innovatively and sustainably respond are essential for health system reform.

The Australian Government must provide the system enablers for health care that provides value over volume. It must support the population's health, while ensuring that people and communities, including our most vulnerable, are placed at the centre of care, supporting universal health care in a post-pandemic era. It must deliver health system reform that supports and develops the workforce and its sustainability.

AHHA has been the national voice for public health care for more than 70 years, maintaining its vision for an effective, innovative and sustainable health system where all Australians have equitable access to health care of the highest standard when and where they need it. AHHA is the national peak body for public and not-for-profit hospitals, Primary Health Networks, community and primary healthcare services.

The shift to an outcomes-focused, value-based approach to health care requires investment in:

**1 A national health workforce strategy**



**2 A 10-year roadmap towards value-based payments in health care**



**3 Capacity building and collaboration in the adoption of VBHC**



# AHHA is calling for investment in...

## 1. A national health workforce reform strategy

*Funding is needed to develop a national health workforce reform strategy that will align the many parts of our system within a common vision for outcomes-focused, universal health care, from education through to recruitment, retention, capacity building, wellbeing, development and service innovation.*

### **Why?**

The geographic spread of the health workforce in Australia does not reflect the distribution of the population, nor the level of healthcare need. Workforce shortages exist across many professions, particularly in outer metropolitan, regional and remote areas and in disadvantaged populations. This presents significant challenges with health services increasingly exposed to a diverse range of multifaceted and complex physical, social, emotional, cultural and ecological needs.

Without adequate workforce, the gap in health outcomes and equitable access to care is only set to worsen.

Matching and forecasting the needs, demands and supply of the health workforce is complex in any context. Over the next five years, the National Skills Commission estimates that the health and social sector will require an increase of 301,000 skilled workers nationally. This is against a backdrop of a pandemic that has exacerbated the impact and pervasiveness of workforce burnout.

However, it is not just about numbers and distribution. While action is needed to address the immediate shortfalls in workforce numbers, a sustainable workforce will need system-level solutions – solutions that do not look at each part of the workforce in silos or ignore the safety and wellbeing of the workforce.

These solutions must consider the workforce broadly, not just health professionals, but the whole of the workforce that supports the sector (e.g., administrators, assistants, cleaners, caterers, technicians etc). The solutions must allow for the workforce to operate in well-supported teams to provide care that is built around the health needs and goals of people and their communities. These teams will be identifiable and bring together clinical and non-clinical roles for care pathways that drive improved outcomes.

These solutions must also consider Australia's reliance on the internationally sourced workforce, the impacts of

Australia's actions on those countries and ensuring ethical recruitment practices.

### **What?**

A national health workforce reform strategy will align the many parts of our system within a common vision for outcomes-focused, value-based health care for people and communities. From education through to recruitment, retention, capacity building, well-being, development and service innovation, it will provide the overarching vision and principles by which more targeted strategies and actions can be developed.

The strategy will extend recent reforms in the vocational sector, where the current Australian Government has established a Jobs and Skills Council (HumanAbility) that will draw on strategic workforce, educational and learner perspectives as a source of intelligence on issues affecting the industry and workforce planning.<sup>1</sup> Its development will require significant consultation across the health, education and innovation sectors.

### **Outcomes**

A national health workforce reform strategy will support sustainability of the health system.

It will provide the authorising environment in which traditional workforce models of care can be redefined to prioritise person-centred care that is respectful of, and responsive to, the preferences, needs and values of individuals, their carers and families.

Without a strategy, the decline of Australia's health workforce will be a major contributor to health system failure.

### **Costing**

\$6 million over two years to fund an AHHA-led consortium in co-designing the national strategy with the breadth of stakeholders associated with the health workforce.

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<sup>1</sup> Industry Engagement Reforms. <https://www.dewr.gov.au/skills-reform/skills-reform-overview/industry-engagement-reforms>

## 2. A 10-year roadmap towards value-based payments in health care

*The Independent Health and Aged Care Pricing Authority (IHACPA) should be funded to lead the development and implementation of a cohesive national 10-year roadmap to shift healthcare funding towards value-based payments in partnership with state, territory and federal governments.*

### **Why?<sup>2</sup>**

Activity-based funding and fee for service can be effective mechanisms to achieve consistency and transparency in health service funding. However, they create inappropriate incentives to provide treatment, resulting in volume (and waste) at the expense of effectiveness and quality of care, and can compromise equity and access to care for priority populations.

Australian healthcare funding policy needs a rethink and introducing value-based payments will be a necessary step towards securing healthcare system sustainability. Recent IHACPA analysis has shown that around 30 per cent of the patients currently funded under activity-based funding could potentially benefit from alternate funding approaches.<sup>3</sup>

State and territory government have already begun the shift to value-based health care, but Australian Government leadership is now needed. Siloed implementation of value-based payments in states and territories may result in inefficient investment in trials, missed opportunities to incorporate learnings in subsequent models, and delay scalability across the national healthcare system.

Using financial incentives to change behaviour requires national leadership and the realignment of resources. Providers will need time and support to know how to appropriately respond to a value-based payment model. A national roadmap will address these needs.

### **What?**

A national roadmap for value-based payment reform should:

- align with long-term health reform principles and other state and territory healthcare policy directions
- be developed in consultation with stakeholders to include specific and measurable expenditure and outcome objectives

- seek to trial and implement value-based payment models nationally, through coordinated activities within states and territories.

IHACPA should be responsible for executing the 10-year plan. This should include constructing innovative funding models, promoting reform, coordinating implementation activities, supporting government and providers, and evaluating value-based payment models across Australia.

IHACPA should work in partnership with states and territories, Local Health Networks (or equivalent), Primary Health Networks, along with private payers seeking to introduce value-based payments, such as private health insurers.

### **Outcomes**

A national roadmap would align value-based payments with the long-term health reform principles outlined within the Addendum to the National Health Reform Agreement (2020- 25) and state and territory led VBHC reform priorities.

A long-term commitment to coordinating, piloting, investing in, and evaluating value-based payment model trials across all states and territories would create consistency leading to efficiencies and increased effectiveness in health reform nation-wide, by:

- expediting policy improvements over time,
- safeguarding the iterative shift towards value-based payments as it moves through model failures and success, and
- sending a strong signal to providers that all governments are committed to value-based health care, helping providers predict change and incentivising them to make necessary investments.

### **Costing**

To be costed within the IHACPA budget.

<sup>2</sup> Cutler, H.(2022) [A roadmap towards scalable value-based payments in Australian Healthcare](#). Deeble Issues Brief 49. Australian Healthcare and Hospitals Association, Australia.

<sup>3</sup> [Consultation Paper on the Pricing Framework for Australian Public Hospital Services 2022–23 \(ihacpa.gov.au\)](#)

### 3. Capacity building and collaboration in the adoption of VBHC

*The Australian Centre for Value-Based Health Care should be funded as a national platform that builds capability and capacity, and drives interprofessional, cross-sector collaboration for outcomes-focused, value-based health care through place-based initiatives.*

#### **Why?**

Value-based health care (VBHC) is an evidence-based framework for health system reform focused on facilitating improvements in the outcomes that matter to people and communities for the cost of achieving those improvements, across a full pathway of care. It presents a person-centred approach to support place-based health care decision making and high-level system transformation.

However, the health system is a complex ecosystem, and it is not just government funding and regulation that have a heavy influence on how innovative models of care are adopted. It is also the diffusion of ideas and adaptive business models that are lacking and thereby restricting innovation in how care is provided.<sup>4</sup> This innovation must occur across a complex mix of health professionals and service providers; delivering services in numerous ways and settings; funded, operated, managed and regulated from all levels of government and the non-government setting.

A 'one health system' approach is needed for a learning community that aligns the whole workforce around designing and implementing high value care.

#### **What?**

The Australian Centre for Value-Based Health Care (the Centre) was established in 2019 to provide thought-leadership and build capacity to support VBHC implementation in Australia. Its establishment addressed a need for national collaboration in amplifying, advocating and facilitating a nationally consistent approach to the development and implementation of VBHC initiatives.

The Centre supports long-term health reform by bringing people together, from across Australia and internationally, around the shared goal of creating a person-centred, outcome-focused, value-driven health system. It does this through fostering networks of collaboration, sharing practical VBHC examples, developing and disseminating the latest research and evidence and partnering with services to support VBHC implementation.

The Centre presents an opportunity for the Australian Government to foster a collaborative learning health system for health reform, delivering national consistency while supporting regional flexibility that builds upon existing capabilities and responds to local need.

#### **Outcomes**

Funding will support the Centre to:

- support the formation of strategic partnerships that amplify and promote VBHC initiatives across sectors, services and portfolios.
- provide oversight and identify common experiences and share learnings to facilitate a more joined up approach to creating a more sustainable health system.
- build on local leadership to leverage and empower existing capabilities to improve the outcomes that matter to local communities.
- engage with state and territory governments, service providers, clinical leaders, consumers, regulatory agencies, private healthcare and stakeholders to co-design a national framework to support place-based VBHC.
- support the dissemination of VBHC evidence and resources.
- integrate policy, research and practice consistent with its 'real world' roots to achieve tangible and sustainable outcomes.
- foster the creation of shared solutions that go beyond what individual communities could do acting alone, including driving system-level reforms.
- develop arrangements for the transition to a longer-term funding base and governance structure to ensure the Centre's longevity.

#### **Costing**

\$2.5 million over two years to fund the Centre as a foundation partner in supporting national VBHC implementation.

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<sup>4</sup> Productivity Commission. (2022). 5-year Productivity inquiry: the key to prosperity. Interim report. <https://www.pc.gov.au/inquiries/current/productivity/interim1-key-to-prosperity/productivity-interim1-key-to-prosperity.pdf>



## OUR VISION

A for a healthy Australia supported by the best possible healthcare system.

## OUR MISSION

To conduct research, educate and influence the healthcare system to achieve better health outcomes, improved patient and provider experience, greater equity and sustainability.

## OUR GUIDING PRINCIPLES

Healthcare in Australia should be:

**Effective**  
**Accessible**  
**Equitable**  
**Sustainable**  
**Outcomes focused**

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