



**Pre-Budget Submission to Treasury**  
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## Australian Healthcare & Hospitals Association Pre-Budget Submission 2014-15

The Australian Healthcare and Hospitals Association (AHHA) welcomes the opportunity to provide a submission in advance of the 2014-2015 Australian Government Budget.

We are Australia's national peak body for public hospitals and health care providers. Our membership includes state health departments, Local Hospital Networks and public hospitals, community health services, Medicare Locals and primary healthcare providers, universities, and individual health professionals and academics. As such, we are uniquely placed to be an independent, national voice for universal high quality healthcare to benefit the whole community.

The Australian health system is built on a solid foundation, with Medicare and a world class public healthcare and hospitals sector providing the basis for universal access to quality health care services, complemented by a strong and vibrant private health sector spanning hospitals, health services and health insurance. However, increasing costs, demand pressures particularly in emergency departments and for elective surgery, workforce issues and uneven distribution of services are amongst the challenges facing Australia's public health system, and more broadly, the health sector.

The structural changes to the health sector over the past 6 years through the National Health Reform Agreement (and the related National Partnership Agreement on Improving Public Hospital Services and the National Healthcare Agreement 2011) must be given the time and the resources required to embed these reforms into the fabric of the Australian healthcare system.

The Australian health system is a complex and inter-connected system of components including the public, private and non-government sectors. Modification or manipulation on one component cannot occur without affecting the system as a whole. To avoid repeating mistakes of the past, the AHHA believes that a broader review of Australia's health system arrangements should be undertaken before any budget driven decisions are made on aspects such as co-payments, the private health insurance rebate, primary care coordination and the electronic health record program.

While the focus of budget development processes is inevitably on the upcoming financial years, when seeking cost-saving measures in health it is essential that an evidence-based long-term view is taken. The AHHA acknowledges the fiscal challenges facing the Government but cautions against decisions which reflect a short-term budget management response rather than investments and disinvestments which will improve the efficiency and effectiveness of the system and the health outcomes for Australians in the longer term.

The greater focus on activity-based funding has the potential to increase transparency and accountability but to be an effective funding model, it must support both allocative and technical efficiency and seek to incorporate incentives for high quality services rather than just high throughput.

National governance and consistent reporting are necessary in a high-performing health system. The National Health Reform process has spawned a raft of new Commonwealth health agencies despite the existence of well-established agencies with suitable infrastructure, administrative architecture, and processes in place. This has resulted in much duplication of agency functions and service provider reporting. Many functions overlap across agencies; the reporting burden on healthcare

providers and the jurisdictions is unnecessarily onerous; and there is significant waste in the development of administrative infrastructure such as human resources, information technology, communications systems, property and the like. This is further complicated by the decentralised nature of many of the new agencies. It would be timely to review and evaluate the functions and performance of each of these agencies to ensure that the value of taxpayer investment is maximised.

Both the MBS and PBS programs would benefit from a review to determine opportunities for disinvestment, for example of redundant treatments and technologies, particularly at a time when there is an ever-increasing demand to add new treatments and technologies to these schedules.

Hospital services accounts for around 40% of health expenditure in Australia, however the key to restraining health care expenditure lies in effective prevention programs and primary care services. There is a substantial evidence base to support early intervention and prevention as being the most effective approach to reducing both the burden of disease and the cost of care, particularly for complex and chronic conditions which are increasingly a challenge for Australia's health sector. A continued investment in health prevention and promotion is essential and can be justified in the context of the longer term benefits, including fiscal savings - the AHHA contends that this investment should continue, albeit subject to regular evaluation.

Insufficient and uncoordinated primary care services inevitably lead to increased demand on acute hospitals through outpatient clinics, emergency departments and hospital admissions. Ideally funding arrangements should be patient-centred, facilitating the right care in the most appropriate environment and supporting unnecessary hospital admissions and presentations. Bundled payment options for patients with chronic or complex conditions should be implemented as soon as possible.

The development and expansion of programs and bundled funding packages that support safe, appropriate and cost-effective home-based alternatives to hospital admission must be a priority for Government. Funding for programs such as Hospital in the Home (HITH) is an example of the innovations that can assist in making better use of an already stretched health budget. HITH programs can reduce unnecessary admissions to hospital, releasing resources to care for those for whom hospital admission is the only option. Decreasing avoidable admissions can reduce 'bed-block', which in turn helps hospitals achieve emergency department and elective surgery performance targets. While hospitals currently fund a range of HITH programs, other primary care and community-based providers need a defined funding source to encourage further expansion of services. With increasing pressure on the health system's financial sustainability, the transition of HITH from small locally led "innovations" to a sophisticated component of the overall health system structure is essential.

Despite oral health being critical to broader health it has for too long been disconnected from the general health system. The AHHA is pleased the Government has committed to the implementation of the Child Dental Benefits Scheme and the National Partnership Agreement on Adult Public Dental Services. These programs represent a significant step to implementing the recommendations of the National Hospital and Healthcare Commission and the National Advisory Committee on Dental Health. Any reduction in the commitment to the implementation of these programs would be a major retrograde step.

The commitment to overcoming the inequitable health outcomes for Aboriginal and Torres Strait Islander peoples must also be maintained. Support for programs that encourage effective collaboration between Aboriginal community-controlled services and mainstream services and which develop the capacity and resilience of individuals and communities should be a priority.

A continual source of frustration and anxiety for health service providers is the reliance on short-term funding arrangements. Short-term funding will never be a successful strategy for addressing long-term problems. All too often decisions regarding renewal of funding arrangements occur upon the expiry of the existing arrangements. This places the service providers, staff, patients, clients and their families under extreme pressure due to the uncertainty of future arrangements. The structuring of funding agreements to incorporate robust ongoing evaluation and to provide adequate time for evaluation and determination of ongoing funding arrangements should be made the norm rather than the exception.