




Hon. Mike Rann MP
Premier of South Australia

Senator Scott Ryan
Chair
Senate Standing Committee on Finance and Public Administration
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear  Senator Ryan

Re: Inquiry into Council of Australian Governments Reform relating to health and hospitals

Thank you for your letter of 13 May 2010, inviting the South Australian Government to provide a submission to the Inquiry into Council of Australian Government's (COAG) Reform relating to health and hospitals. Significant reforms to Australia's health and hospital system were agreed at the COAG meeting on 19-20 April 2010, which I believe will help secure the long term future of the nation's health system.

COAG agreed to deliver a National Health and Hospitals Network (NHHN) that provides a sustainable funding and governance structure for Australia's health and hospital system. Reform of the health care system was urgently required as the ongoing growth in health care costs was unsustainable for the States. In South Australia, the cost of providing health care has been growing at approximately 9 per cent per year. In contrast the State budget grows at only half this amount. If this continued, health care costs were expected to take up the entire State budget by around 2032.

The Commonwealth share of the State's health care costs has also been decreasing. Under the former Coalition Government, the Commonwealth share of States' hospital funding decreased from approximately 50 per cent to around 40 per cent.

The reforms agreed to at COAG reverse this trend, and commit the Commonwealth to funding future growth in the critical elements of our health system. The reforms mean South Australia's health system will receive an estimated extra \$1.35 billion over the next 10 years.

A core component of the NHHN is the development of strong national standards for health care provision. Nationally comparable data will be available on the performance of State and Territory health care systems in areas such as emergency department and elective surgery waiting times, bed occupancy rates and reporting of adverse events and hospital acquired infections. I welcome these national standards as an opportunity to continue South Australia's commitment to safety and quality in

health care. I also welcome an increase in the transparency of health system performance across Australia.

Through the NHHN, the Commonwealth has committed to funding 60 per cent of the efficient price of all public hospital services, and 60 per cent of capital, research and training in public hospitals. The Commonwealth also committed to funding 100 per cent of general practice, primary care and aged care services. In addition, a number of investments in the NHHN have been announced that provide increased health services now, in areas including sub acute beds, emergency departments, elective surgery and aged care. These investments will immediately benefit the people of South Australia.

From these investments, the Federal Budget has indicated that South Australia is likely to receive an additional \$306 million for health and hospitals over the next four years. This includes:

- **\$119.7 million** for sub acute beds – which will allow for extra beds at the Repatriation Hospital and more long stay mental health beds
- **\$60.3 million** – for more elective surgery. This funding will build on improvements already made in South Australia over the past two years in getting South Australians access to surgery faster. The funding will support thousands of additional procedures over the four year period. In addition, it will provide for elective surgery capital works, which will be used for additional operating theatre equipment and refurbishment of theatres
- **\$56.4 million** – to contribute towards more senior medical staff, allied health and nursing for acute medical units and senior consultants and registrars rostered on at nights and weekends in hospitals to improve patient flow and discharge and improve access to emergency departments. This funding will also support capital works to expand the number of acute beds to help relieve pressure on our emergency departments
- **\$29.3 million** for long stay older patients in hospitals. This is expected to ensure fewer older people are placed in acute hospital beds while waiting for a nursing home placement
- **\$16.7 million** of flexible funding to support reforms in any of the following areas – emergency departments, elective surgery or sub-acute care
- **\$20.9 million**, to allow South Australia to provide more country hospital places and upgrade country aged care facilities
- **\$2.8 million** will be provided to the State for early psychosis prevention and intervention centres.

Under the agreed arrangements for the COAG reforms, South Australia is required to dedicate approximately 30 per cent of our Goods and Services Tax (GST) to health funding. South Australia was willing to dedicate this revenue to ensure we gain the Commonwealth's commitment to share the burden of future health cost growth, and to deliver immediate extra funding for identified services.

Under the reforms, South Australia will maintain the responsibility for administering and running the State's public hospital system. For example we will continue to plan South Australia's health infrastructure, including the development of the new Royal Adelaide Hospital. In relation to governance arrangements, Local Hospital Networks (LHNs) will be set up in each State and Territory. I will resolve the LHN boundaries with the Prime Minister by the end of this year. The South Australian government will establish agreements with its LHNs to ensure they provide services which are consistent with the State's objectives in health.

I acknowledge that a number of issues remain to be resolved in health reform. I am committed to further work, particularly in the areas of mental health and preventative health, identified by COAG as key topics for national reform efforts. I am also aware that there are details which will continue to require negotiation as we implement the NHHN in South Australia. I look forward to the opportunity to continue to work with the Commonwealth in this important reform, and believe that through the COAG agreement we have achieved the best possible deal for South Australia's health care system and the people it serves.

I thank you for the opportunity to provide this submission.

Yours sincerely

MIKE RANN
Premier

29/5/2010