

2 June 2010

The Secretary,  
Senate Standing Committee on Finance and Public Administration  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Business  
Council of  
Australia



Dear Secretary

### **COAG REFORMS RELATING TO HEALTH AND HOSPITALS**

The Business Council of Australia (BCA) represents the chief executives of over 100 of Australia's leading companies. The BCA develops and advocates, on behalf of its members, public policy reform that positions Australia as a strong and vibrant economy and society.

The BCA's vision is for Australia to be the best place in the world in which to live, learn, work and do business. Having a healthy population and an effective health system is fundamental to achieving this vision. Without health both our economic and social prosperity is harmed, as educational goals, workforce participation and productivity are lowered and full participation for individuals denied. Improving our health is a goal in which we all share and to which we must all contribute. Health is everybody's business.

Accordingly the BCA has taken a keen interest in the recent health reform debates and has participated in the major reviews that have led to the COAG reforms. We are persuaded by the evidence led from the health sector of the gap between growing demand and the capacity of the current system – resources, people and facilities - to meet this demand in ways that are equitable, high quality and affordable. We are already falling short of these goals.

The growth of demand as a result of the prevalence of chronic disease, ageing and rising expectations means that our healthcare costs are rising faster than CPI. The ageing of our health workforce using current models of care and existing information systems means that we have real constraints in expanding capacity. Just adding dollars will not solve the problem.

As a business organisation we have been struck by the lack of reform within the sector and the way in which microeconomic reform and the transformational power of ICT that has led to significant improvements in productivity in other sectors, have largely by-passed this sector. For this reason we have been particularly concerned to see actions taken to strengthen system governance and the role of the consumer within it, together with investment in preventative health measures, e-health and electronic systems, fit-for-purpose facilities and changed incentives to change behaviour and improve efficiency.

We recognise that the program of reform is one which will take at least a decade, particularly if we are to ensure that the strengths of the current system are not damaged. The aims of this reform should, in our view, be two-fold:

- Improve Australia's health.
- Improve the effectiveness and productivity of our healthcare system.

We also recognise that many of the building blocks for effective reform are not yet in place; in particular the dearth of usable information to guide planning decisions; to evaluate the adequacy and performance of the system, and to guide consumers' decisions. At a time when we are expecting patients to take more responsibility for managing and paying for their own healthcare, this is a remarkable gap.

So within this context, we offer the following comments about the COAG reforms.

First, the reforms appear to be a good first step. There are increases in resources to address key bottlenecks in the system and many of these are tied to the performance targets and reporting. The amount of information in the system will increase to guide future decisions. The introduction of activity-based funding for larger public hospitals will also introduce new incentives in some states for greater throughput and efficiency. The permanent establishment of the National Safety and Quality Commission for Healthcare is a welcome acknowledgement of the need for strengthened arrangements to improve and account for patient safety. The establishment of local hospital boards can work too to improve the match between local provision and need. The establishment of the pooled funds between Commonwealth and states will also serve to improve accountability and transparency about the relative funding shares and how they are used. The proposed independent pricing authority will also help to reduce cost shifting through its determination powers.

Second, we are also pleased to hear subsequent announcements about investing in the national infrastructure to support the development of e-health within the sector and the proposed legislation to implement unique identifiers.

However, we believe these reforms are a starting point only. We are disappointed that there has been no public presentation of the nature of the health challenges we face as a nation nor a roadmap provided by the governments for how we will meet these needs. The failure to link preventative health measures to the overarching challenge of the gap between future demand and provision represents a lost opportunity for the community to understand the different roles and responsibilities we will all have in this regard. Furthermore by focusing resources on known bottlenecks in the sector, the message to the community is that it is business as usual but with more resources. The message about the radical changes in care models envisaged by many in the health sector and the NHHRC is missing and so expectations remain unchanged.

The lack of resource allocated to mental illness and dental care is also at odds with the needs arising from the known pattern of disease. It is also at odds with the stated aim of improving preventative health.

The changes to system governance are in our view minimal. The pressing issue of clarification of government responsibilities has been partly addressed but, as many have pointed out, there remains considerable scope for blame shifting; between states and Commonwealth, between local boards and their two masters.

More importantly, there is little sense yet of blending the various providers into a system through overarching sector governance. Most focus has been on the public sector and yet the sector is characterised by a strong public/private mix, with most clinicians and practitioners being part of the private sector. Although the sector is heavily regulated it lacks the sectoral governance arrangements of other sectors and so continues to privilege providers at the expense of consumers and patients. We have strongly argued for both an independent planning commission and a sector regulatory body. The former would be responsible for articulating future health needs, the best options for meeting these and accounting for the system's performance in doing so. The second would allow for transparent accountability for consumers and patients and their advisors and assure the quality of all providers.

If connected and safe care is the goal of a health system better able to meet the demands of chronic disease, then electronic collection, storage and sharing of information is fundamental to both patient safety and efficiency. This applies to clinical and patient systems and to business and administration systems. The lack of national infrastructure – defined in its broadest sense – to support the connectedness of the system is holding back these urgently needed investments from across the sector.

In conclusion, we support the measures announced, but consider them a first step on a long road to reform. We need significant change to ensure that our aspirations for a healthy and prosperous population are realised and to ensure that our health system is adequate to meet the challenges of the 21st century.

Yours sincerely

**Katie Lahey**  
Chief Executive