



Colac Area Health

**Response to the**

**INQUIRY INTO THE IMPLEMENTATION OF  
THE NATIONAL HEALTH REFORM  
AGREEMENT**

Implementation of the National Health Reform Agreement with regard to recently announced reductions by the Commonwealth of National Health Reform funding for state hospital services, in particular:

- (a) the impact on patient care and services of the funding shortfalls;
- (b) the timing of the changes as they relate to hospital budgets and planning;
- (c) the fairness and appropriateness of the agreed funding model, including parameters set by the Treasury (including population estimates and health inflation); and
- (d) other matters pertaining to the reduction by the Commonwealth of National Health Reform funding and the National Health Reform Agreement.

February 2013

## Introduction:

1. The Board Colac Area Health appreciates the occasion afforded to make a submission to the Inquiry into The Implementation of the National Health Reform Agreement and thanks the Senate for the opportunity.
2. In doing so the Board wishes to respond to each Term of Reference in turn.
3. It is instructive to note that the impact of the Federal Treasurer's decision on Colac Area Health is a \$1m+ cash savings requirement over the 2012-2016 period. The Board seeks to emphasise the expectation is for a cash reduction in expenditure as opposed to an accrual accounting process in terms of increased liability on future years.
4. The cash reduction in grant to Colac Area Health is equivalent to more than \$1,307 per day from the date of cash withdrawal on 17 December 2012.
5. The Board takes this opportunity to put forward its view that budgetary arrangements between Colac Area Health and the State of Victoria bears no relevance to the questions posed in the Terms of Reference; and hence the Board argues attempts to offset any impact of Commonwealth cash reductions by reference to Victorian government budgetary decisions is erroneous.
6. Board Directors making up the Board Colac Area Health are volunteer members from the Colac District and hence members of the community- not paid Directors.

## Background:

7. In response to the Federal Treasurer's decision to adjust grants to the State of Victoria under the National Health Reform Agreement downwards by \$467M over four years and the consequential impact on 2012-13 financial year of a reduction in cash grant of \$107m the Board, Colac Area Health puts forward the following points:
  - a. Colac Area Health is expected to save \$255,000 per annum for 4 years or \$1,020,000 over the 2012 - 2016 period
  - b. The timeframe for the decision for the Board to make a determination on how any savings would be made was within days and weeks - not months that any other circumstance would have rightly demanded and been given
  - c. The dilemma faced by Colac Area Health was any delay in decision meant each days saving target would grow; the daily target required on the day

cash was withdrawn, 17 December 2012, was \$1,308 compared with \$1,711 per day from 1 February 2013.

- d. Timeframe outline is set out below:
- i. 1 November – advice the Commonwealth Treasurer had determined a reduction to Victoria on the basis of population not growing as anticipated
  - ii. 30 November advice received on the funding reduction effective across the year for CAH - \$255,000
  - iii. 14 December 2012 advice that the first cash withdrawal would commence on 17 December 2012
  - iv. Board advice on potential savings strategies to be with the Victorian Department of Health 19 December – this was preliminary advice until a Board meeting of 27 December 2012 was able to consider the options. (Incidentally in the middle of the Festive Season.)
  - v. The decision taken by the Board was to cease the overnight Urgent Care<sup>1</sup> service between 10pm to 7am. The decision was outlined in a meeting with the Department of Health on 3 January 2013 seeking initial response from the Department.
  - vi. The decision of the Board was confirmed with Department of Health on 7 January 2013
  - vii. An announcement made to the public on Friday 18 January effective 1 February 2013
- e. In all 29 working days taken in which to develop a set of options and have the Board consider those options and determined an action to minimise the daily savings level required.

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<sup>1</sup> Urgent Care is generally located in small rural communities where higher levels of trauma care are not accessible. Urgent Care Centres provide initial resuscitation and a limited stabilisation capacity prior to early transfer to a regional or major trauma service. Staffed by nurses with support from local general practitioners; no funded medical staff positions as would be the case with Emergency Departments for larger referral centres.

- f. It is important to note:
- i. it was not a decision taken without considerable deliberations, debate and heartache; all generated because of the decision to reduce cash grants mid-year of the fiscal cycle
  - ii. A decision had to be made by the Board in addition to the need to balance the operating budget for the financial year, which is a considerable challenge for Colac Area Health operationally met through a series of measures to move to a breakeven position at best or a modest deficit at worse.
- g. The principal points are:
- i. Colac Area Health Board faced a daunting year of operational constraint to operate within fiscal means
  - ii. The decision by the Federal Treasurer to withdraw cash grants in December 2012 impacted on Colac Area Health's capacity to continue to provide services
  - iii. The unintended consequences of the Treasurer's decision are:
    1. the incapacity to meet operating cash reduction meant services had to be reduced
    2. in Colac Area Health's case this meant a reduction in service by the closure of Urgent Care between 10pm and 7am overnight
- h. Principles behind the Board Decision: How did the Board determine that Urgent Care be the service to be curtailed?
- i. In brief a set of criteria was established by the Board to guide decision making with the principles being:
    1. The savings will be found in a service funded through the acute health funding stream (the source of funding reduced by the Commonwealth)
    2. A standard criteria to be met for an option to be considered as a strategy for savings must be agreed by the Board
    3. Within the Criteria there will be no hierarchy of criterion, all have equal weight

4. An agreed criteria was established against which each option was considered, the criterion are:
  - a. The level of impact on patients – the service that has the least impact on patients
  - b. The level of impact of staff – the service that has the least impact on staff
  - c. Capacity to meet the \$255,00 p.a. in a full year – the service capable to meet the required savings p.a. over four years
  - d. The potential to be re-established should funding become available – A service that if funds become available could be re-established quickly
  - e. Alternative services are available – A service that alternative services can be accessed within the community or be available within reasonable travel times

## Response to the Terms of Reference:

- i. In respect of Terms of Reference a the impact on patient care and services of the funding shortfalls;
  - i. Colac Area Health provides a range of services across community services, aged residential care and support services, acute care including perioperative services, maternity services and urgent care services (often referred to as emergency services by the community)
  - ii. The decision was to reduce Urgent Care services by ceasing the overnight service between 10pm and 7am and thus reduce costs by \$255,000 and meet the cash reduction required
  - iii. The key to the decision centred on the level of use and the capacity to access alternative services in the community.
  - iv. For the Enquiry's benefit below is a summary of salient points:
    1. An average of 3-4 presentations per night over the 9 hours; or 13% of all presentations
    2. A severe case may present every 7 to 8 weeks requiring intensive response and in the majority of these case ambulance services were involved
    3. There is on average 2 cases of serious presentations per week; frequently with ambulance services involved
    4. Access to services in Geelong if required are within reasonable access bounds compared with accessibility levels faced by metropolitan residents of Melbourne
    5. Balancing social and fiscal responsibilities and the availability of alternative services weighed heavily towards ceasing the service.

- j. In respect of Term of Reference b “the timing of the changes as they relate to hospital budgets and planning;”
- i. The timing of the cash withdrawal can be described as catastrophic; irrespective of the argument, valid or otherwise, of any budgetary constraint by the Victorian Government the fact remains that funding allocations to public health services in Victoria were established, clear and well known to allow for operational budgets to be set up at the commencement of the financial year. Hence sound processes of budget management were in place.
  - ii. To have cash withdrawn at mid-year, 17 December 2012, at best can be described as unfortunate and challenging or irresponsible at worse. The total disruption to services is immeasurable; the concentrated senior management effort in finding the level of savings required means many other safety and quality measures, strategic development actions and overall good management has been the victim while effort is channelled into a hitherto unheard of decision and process.
  - iii. In summary the Board’s view is the decision, while arguably valid, should have been discussed with state authorities with the intention that a savings strategy over the remaining 3 full financial years could have been negotiated.
- k. In respect of Term of Reference c “the fairness and appropriateness of the agreed funding model, including parameters set by the Treasury (including population estimates and health inflation)”
- i. The Board does not have a view on this Term of Reference in that there is an insufficient level of knowledge and understanding of the agreed funding model to make comment.
  - ii. The Board takes on face value the argument that population movements were not in accord with expected movements.
  - iii. The Board has always relied on ABS data on health cost movements and accepts on face value the analyses utilised by the Federal Treasurer.

I. In respect of Term of Reference d “other matters pertaining to the reduction by the Commonwealth of National Health Reform funding and the National Health Reform Agreement” the Board wishes to raise the following matters:

1. The Board is very concerned about recent experiences, if to become a repeated or common practice, will make managing a local suite of health and community services very difficult and potentially dangerous as attention and effort is diverted away from the day to day operations of a health service
2. There is a high level of disappointment among Board and Executive staff that the good intent of the national health reform agenda has been significantly eroded making any further developments based on trust and mutual understanding very difficult and problematic.
3. A consequential impact from having to adjust a service profile mid financial year may be one of additional demand across a range of other public services making the system fragile in rural settings. For smaller public services a change in cash funding means a change in service profile as a consequence.
4. One of the unintended consequences that may emerge from the Board having to make adjustments at mid-cycle of the financial year is the potential negative impact on Colac as an attractive place to live by those contemplating a change in residence or indeed considering a move to establish business in the shire or town.

Board of Directors  
Colac Area Health

February 2013