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Ms Christine McDonald
Secretary
Senate Standing Committee on Finance and Public Administration
Parliament House
Canberra ACT 2600

Dear Ms McDonald

Inquiry into the implementation of the National Health Reform Agreement

Thank you for your letter of 7 February 2013 inviting Catholic Health Australia (CHA) to make a submission to the Inquiry into the implementation of the National Health Reform Agreement. Whilst welcoming the opportunity to contribute a submission to this Inquiry, it is one put forward with regret that circumstances have led to the need for an inquiry of this nature in the first place.

On any one day, one in 10 hospital patients in Australia is cared for in a Catholic public or private hospital. 2,300 public hospital beds or around 5% of Australia's total public beds are operated across 19 Catholic hospitals that operate under contract to State or Territory governments in Queensland, New South Wales, Victoria, Western Australia and the Australian Capital Territory. These Catholic public hospitals have formal agreements with their respective State or Territory governments (or a local hospital network equivalent) which sets out services a hospital will provide and the financial arrangements for the provision of those services.

Revised National Health Reform Funding

The Commonwealth's 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO) released on 21 October 2012 stated (at page 51) that, as a result of parameter and other variations, National Health Reform Funding would be $254 million lower in 2012-13 than was stated in the 2012-13 Budget and will be $1.5 billion lower over the four years to 2015-16.

Catholic public hospitals in several States were shortly thereafter notified that agreed and operative budgets for this financial year would be significantly reduced by around $20 million in total. Catholic public hospitals are anticipating further funding reductions in the next financial year.

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The timing of the decision to reduce the Commonwealth's contribution to national public hospital spending by $254 million in 2012/13 has adversely impacted hospital service planning. Whilst no hospital group is likely to ever welcome reductions in funding as demand for services continues to grow, the way that the funding reductions have been imposed part way through a financial year has been particularly difficult to deal with and has magnified their impact. The requirement that this funding cut for a full year needs to be found over the remaining six months of this year multiplies the impact of the cuts.

Impact of the funding reductions

Catholic public hospitals are privately owned and operated not-for-profit organisations. As such, they have a fiduciary requirement to meet their financial obligations when they fall due. The practice of this fiduciary duty requires Catholic hospitals to acquit their service funding by 'breaking even'. They are not able to overrun their allocated budgets in the hope of subsequent financial bailout - as has been seen in the administration of some State and Territory operated public hospitals. As a consequence, cuts to service revenue will need to be offset by reductions in service outputs.

The mission of Catholic services to particularly look after the poor and vulnerable means that Catholic public hospitals will try to avoid reducing services that will impact on those least able to make other arrangements. However, the extent of the funding cuts threatens to hurt those within our community that would be most impacted by reductions to availability of public hospital services.

In the current financial year, funding cuts will result in the following impacts within Catholic public hospitals:

- 50 bed closures
- reductions in theatre availability
- reductions in elective surgery
- reduction in access to intensive care units
- staff terminations
- reduced ability to meet elective surgery and emergency department access targets.

These service cuts are in the process of being realised, and whilst they are described here as service cuts, ultimately they impact directly on people waiting for access to health care services. There will be additional service cuts which will impact people waiting for services, in this and subsequent financial years, to accommodate the reduction in total funding available for public hospital services.

Public waiting lists and private patients

One potential impact of the public hospital funding reductions may be that public hospital managers seek to augment their revenue by treating additional private patients (indeed they are currently incentivised to do so).

In the context of shrinking public capacity, the targeting of additional private patients by public hospitals, particularly if it is at the expense of the treatment of public patients, will further exacerbate public patient waiting times and further undermine the Medicare principle of universal access to treatment at the time of need, regardless of financial circumstance.

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Any significant growth of private patient workload in public hospitals could also lead to a reduction in the efficiency of Australia's overall hospital system.

Other matters

After four years of intense health reform effort, where the need to move away from a culture of cost and blame-shifting between different tiers of government was a consistent theme, Australia's public health care consumers and health care professionals have been once again impacted by a continuing consequence of poor management of Commonwealth-State financial relations.

Governments should recommit to the principle as enunciated in Clause 1a of the National Health Reform Agreement from August 2011 which states: *this Agreement sets out the shared intention of the Commonwealth, State and Territory (the States) governments to work in partnership to improve health system outcomes for all Australians and ensure the sustainability of the Australian health system.*

Ultimately, it would be preferable for Australia to move to a system where a single tier of government takes responsibility for funding publicly delivered health services. An alternative option would be to embrace the *Medicare Select* proposal put forward by the National Health and Hospital Reform Commission. *Medicare Select* would enable Australians to choose a health and hospital plan best suited to their needs. They would be able to choose to be insured by Medicare, or instead opt-out to be insured by a private health insurer or one operated by a not-for-profit organisation. All Australians would receive a risk-adjusted subsidy to purchase comprehensive health insurance offered by one of the competing health insurance funds, including Medicare. It would deliver single funding of the nation's health services, and an end to the Commonwealth-State blame game.

If it would assist the Committee in its deliberations, I would be happy to appear before the Inquiry to elaborate on the unique impact that these national public hospital funding cuts will have on Catholic public hospitals, and most importantly, to enable consideration of how they will impact on people seeking access to public health care services.

Yours sincerely

Martin Laverty
Chief Executive Officer