

26 May 2010

Ms Christine McDonald  
Committee Secretary  
Senate Standing Committee on Finance and Public Administration

Dear Ms McDonald

**National Primary Health Care Partnership submission to the Senate Committee Inquiry into the Council of Australian Governments reforms relating to health and hospitals**

The National Primary Health Care Partnership (NPHCP) welcomes the opportunity to provide comment on the reforms to Australia's health system recently agreed by the Council of Australian Governments (COAG) through the National Health and Hospitals network Agreement (the Agreement.) The NPHCP is a unique national collaboration which brings together 20 peak health groups, representing more than 100,000 frontline health professionals working in the primary health care system and health consumers.<sup>1</sup>

Funding arrangements and responsibility and authority for primary health care services [Terms of reference (a), (b) and (e)]

The NPHCP supports the general intent of a Commonwealth Government take-over of funding and policy responsibility for all primary health care, however, is concerned about the lack of clarity regarding who will be responsible or accountable for key aspects of primary health care under the funding structure outlined in the Agreement and the seeming enhancement of hospital authority to deliver primary health care services.

The Agreement appears to suggest that whilst the Commonwealth will assume funding responsibility for primary health care services currently provided by the States, they will still pay this money to the States to continue to provide the majority of these services. It is unclear who will be accountable for the effective and efficient provision of these services or how this will relate to the planning and coordination role that appears to be expected from Primary Health Care Organisations (PHCOs). It is therefore unclear how this offers an improvement over current arrangements and whether it will confer the potential benefits associated with national funding and regional coordination.

The Agreement also appears to support delivery of PHC services through Local Hospital Networks (LHNs). For example, "states will be responsible for...negotiating and agreeing with the Commonwealth for the delivery of relevant GP and primary health care services, where the Commonwealth agrees to provide those services through LHNs..." (Page 22) The Agreement also states that, in the eventuality that the Commonwealth's responsibility for health system growth is not as large as the predicted \$15.6 billion, States will spend the residual as additional funding on services such as chronic disease management, prevention and mental health. This suggests an intent to expand the role of the States in providing primary health care services through LHNs.

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<sup>1</sup> Appendix 1 provides a full list of NPHCP collaborating organisations.

The NPHCP is concerned that this may negate the benefits of a national approach to PHC supported by regional planning through PHCOs, and perpetuate current problems with service duplication and poor service integration, so promulgating the blame game and fragmentation we are trying to eliminate. To overcome this we recommend that any State Government funding for primary health care is allocated through PHCOs.

Under the Agreement, funding will be provided by the Commonwealth to public hospitals and Local Hospital Networks (LHNs) to provide “ ‘primary health care’ equivalent’ outpatient services provided to public patients.” It is unclear what will constitute such outpatient services and further clarification of the boundaries between primary health care proper and ‘primary health care equivalent’ outpatient services are required. These demarcations should be carefully considered to ensure they support the most effective approach to coordinating primary health care services based on regional service plans.

As part of its reform announcements the Commonwealth has also announced its intention to introduce a new funding system to support the provision of comprehensive care for patients with diabetes, which is structured around funding packages to deliver care for eligible patients who voluntarily enrol with a general practice. Whilst supporting, in principle, voluntary patient enrolment and blended funding systems for primary health care, the NPHCP has some concerns about the capacity of the proposed funding arrangement for this measure to support better patient access to comprehensive, multi-disciplinary care.

It is unclear the extent to which the measure contains new funding. The NPHCP understand that this measure will involve ‘cashing out’ MBS items for patients who voluntarily enrol for this measure, including for PHC services not directly related to their chronic condition. The NPHCP has concerns that if the annual payment to general practices and for allied health services are insufficient, the measure will fail to support better access to team care: there will not be a sufficient business case for general practice to enrol patients, particularly those with more complex care needs, and those who are enrolled will be unlikely to have better access to team care if the real amount of funding for these services has not increased.

The NPHCP recommends the Government clarify the extent to which funding for this measure constitutes new funding and work with primary health care professionals to ensure the measure is best structured to support better patient access to comprehensive team care..

#### Roles, functions and governance of Primary Health Care Organisations [Term of reference (e)]

The NPHCP believes that Australia’s primary health care system should support access to well integrated quality care focused on enhancing regional population health outcomes through a system that supports national leadership and local responsiveness. The NPHCP believes that, in principle, a network of regional PHCOs provides a suitable structure to realise this outcome.

The NPHCP believes that PHCOs will perform most effectively if they are responsible for population health planning to best meet the needs of local communities and if they are sufficiently resourced and empowered to drive improvements in the health and wellbeing of local populations through coordinating, funding, developing and, potentially, commissioning and/or delivering, services designed to address service gaps, inequities in access and that enhance overall health outcomes.

There is a concerning lack of clarity about the role and function of PHCOs in the Agreement. The Agreement states that “PHCOs will deliver better integrated and responsive local GP and primary health care services to meet the needs and priorities of patients and communities”

including by ensuring “services cooperate and collaborate with each other”, facilitating “allied health care and other support for people with chronic conditions”, “better targeting services to respond to ...gaps” and delivering targeted “health promotion and preventative health programs.” However, it is not clear what authority, responsibility or funding PHCOs will have to perform these roles. Without sufficient authority and resources PHCOs will be unable to perform these roles effectively and the potential benefit they offer to population health will not be realised.

The NPHCP supports the implementation of robust performance and monitoring arrangements to drive greater performance and accountability across the health system. The implication from the NHHN agreement appears to be that PHCO performance will be monitored by the newly established National Performance Authority (NPA) via healthy community reports. However, this will not provide a reasonable measure of PHCO performance unless they are given sufficient responsibility and resources to impact on population health at regional levels. As noted above the level of responsibility and resources that will be devolved to PHCOs remains unclear.

The Agreement (B 17) suggests that PHCO governance will include broad community and health professional representation alongside other business and management expertise necessary to govern organisations of this size. The NPHCP believes that this composition should be directly applied to PHCO boards, and not simply to the broader governance structure. That is, PHCOs must be supported by a governing board that draws on the skills and expertise of local consumers, primary health care professionals and business and management professionals. They will also require robust clinical governance and community engagement arrangements.

The NHHN agreement is silent regarding the preferred membership structures for PHCOs. Membership structures will be critical not only to the effective and efficient function of these new organisations but also in determining health professional and service provider support of this new primary health care system. It is critical that membership arrangements are determined through broad consultation with stakeholders, including primary health care professional and service provider organisations and health consumer groups.

In addition to national governance arrangements outlined in the Agreement the NPHCP believes that an independent national agency should be established and tasked with providing direction and support to PHCOs to meet pre-determined standards and ensure consistent and high quality performance. This agency should be governed by a board with the broad mix of consumer, health professional and business skills as required for PHCO governance.

Though not detailed in the Agreement, the recent Federal Budget announcements have suggested that PHCOs will be known as ‘Medicare Locals.’ This name is strongly associated with Medicare Australia and the current Medicare Benefits Schedule. The NPHCP believes that further consultation with health professionals as well as consumers is required to ensure the name ‘Medicare Locals’ promotes a positive image to health professionals and consumers and does not confuse either groups’ understanding of the role and function of these new organisations.

#### Primary health care funding and administration arrangements [Term of reference (e)]

The Agreement is unclear about the proposed funding and administration arrangements for the range of primary health care services for which the Commonwealth assumes funding and policy responsibility from 1 July 2011, in particular those detailed in Clause B10 of the Agreement. It is not clear how funding will be provided to deliver these services, and through which body funds will be administered and contracts monitored. How the funding

and administration to support the services is configured may impact on how effectively the system can deliver well coordinated care matched to the needs of local communities.

National consistency [Term of reference (f)]

The NPHCP notes that Western Australia is not party to the current Agreement and that there are a number of instances where specific States will retain responsibility for aspects of primary health care that have been delegated a Commonwealth responsibility in other jurisdictions. The NPHCP believes that where possible and where it will benefit efficiency and coordination of services in the longer term, it is preferable to take a nationally consistent approach to the distribution of responsibilities between State and Commonwealth Governments and to the establishment of PHCOs. A nationally consistent approach is most likely to support a high performing system monitored through a consistent national performance and accountability framework.

Moving forward [Term of reference (k)]

The NPHCP continues to offer in principle support for proposed health reforms that support a nationally funded and regionally coordinated approach to primary health care. However, the NPHCP is calling on the Commonwealth Government to provide further clarification of key aspects of the proposed new arrangements for primary health care, particularly the intended scope and function of PHCOs, the role of the States in delivering primary health care services and plans to ensure that there are no reduction in primary health care services for patients throughout the transition period.

Effective implementation of the reform measures outlined in the Agreement will require broad consultation with PHC professionals and consumers to ensure that implementation plans are functional and will realise best results for patient care.

In summary the NPHCP recommends:

- clarity is provided regarding the role of State Governments and public hospitals in delivering primary health care
- PHCOs are provided with overall responsibility and authority for regional primary health care planning and coordination to ensure that the new National Health and Hospitals Network supports greater coordination and integration between services, promotes efficiency and moves beyond the blame game
- PHCOs are sufficiently resourced to effectively perform the regional planning and service coordination roles outlined for them in the Agreement
- governance arrangements for PHCOs require governing boards to draw on the skills and expertise of local consumers, primary health care professionals and business and management professionals
- membership structures of PHCOs are determined in broad consultation with relevant stakeholders, including primary health care professionals and consumers.
- an independent national agency be established and tasked with providing direction and support to PHCOs to meet standards and realise performance targets
- the name 'Medicare Locals' is thoroughly tested on health professionals and consumers for acceptability and meaning, and is suitably revised if necessary
- a nationally consistent approach to the distribution of responsibilities between State and Commonwealth Governments and to the establishment of PHCOs is pursued

We thank you for the opportunity to provide input to this inquiry.

Yours sincerely

**Claire Hewat**

Chair, National Primary Care Partnership

**Attachment 1: National Primary Health Care Partnership collaborating organisations**

Allied Health Professions Australia

Audiology Australia

Australasian Podiatry Council

Australian Association for Sports and Exercise Science

Australian Association of Social Workers

Australian Diabetes Educators Association

Australian General Practice Network

Australian Physiotherapy Association

Australian Practice Nurses Association

Australasian Psychology Society

Consumers Health Forum

Dietitians Association of Australia

Occupational Therapy Australia

Optometrists Association Australia

Pharmacy Guild of Australia

Pharmaceutical Society of Australia

Royal College of Nursing Australia

Services for Australian Rural and Remote Allied Health

Society of Hospital Pharmacists of Australia

Speech Pathology Australia