



15 February 2013

Committee Secretary  
Senate Finance and Public Administration Committee  
PO Box 6100  
Parliament House  
**CANBERRA ACT 2600**

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Dear Senators

## **RE: Implementation of the National Health Reform Agreement**

AMA Victoria welcomes the opportunity to contribute to the Senate's inquiry into the implementation of the National Health Reform Agreement with regard to the recently announced reductions by the Commonwealth of National Health Reform funding for state hospital services.

AMA Victoria is the peak body representing Victorian doctors with over 10,000 members and exists to provide services, advice, representation and professional support to members as well as to improve health services and the health of Victorians. Member-funded, AMA Victoria is a not-for-profit professional association independent of government.

### **Our understanding of the issue**

From our analysis, our understanding of the issue is that the revision of the population growth figures applied to the National Health Reform funding model announced as part of the Commonwealth's 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO) has revised Victoria's population growth from 1.364% to 0.033% for the period December 2010 to December 2011. We believe that the population data from the post 2011 Census has been incorrectly applied, which has resulted in this anomaly. It appears that the Commonwealth has used the pre-2011 Census data for the historical figures and the post-2011 figures for the 2011 figure onwards which, by incorrectly combining two data series, has significantly underestimated the population growth in Victoria for this period which has resulted in this cut in funding when applied to the funding model.

### **Serious and immediate impact on service delivery and patient care**

The impact on Victorian public hospitals of this significant cut in funding is already being seen across the system. In Victoria we have seen almost daily media mentions and announcements of cuts to services by hospitals including bed and ward closures, reductions in elective surgery and reductions in support services. These cuts not only impact on metro services but also smaller rural and regional hospitals who have less capacity to absorb these changes in funding.

It is possible that these cuts could result in hundreds of beds being closed, thousands of elective surgical cases cancelled, and clinical staff having their hours reduced or being made redundant. Emergency Departments will see new levels of overcrowding, and ambulances may be forced to wait for hours just to offload a patient in a hospital emergency cubicle.

Junior doctors already agonize over their prospects of finding jobs to allow their medical training to continue, and senior doctors are facing diminishing clinical support time to train and support their younger colleagues.

These are the issues that we do not want to face and may be the direct result of such a swift and significant cut in Commonwealth funding for Victorian hospitals.

### **Timing of these cuts does not allow for proper planning and budgeting by Victorian public hospitals**

The timing of this reduction in Commonwealth funding for Victorian public hospitals has meant that Victorian public hospitals have been required to implement a full year of funding cuts over the five months or so following the funding announcement. Given the timing and magnitude of this significant change in public hospital funding, the only way to reduce hospital spending is to cut those services and activities which can be altered in the short term, such as elective surgery, since capital works and existing contracts cannot be altered quickly. Without sufficient time to adjust to a reduction in funding some hospitals in Victoria are looking at making drastic and inappropriate cuts to essential services such as emergency department opening hours and after hours care. With sufficient time and notification, it would be possible to avoid such sudden and drastic actions by public hospitals to address a reduction in funding.

### **The retrospective nature of these cuts is inappropriate**

Following on from the timing issue, we believe that it is inappropriate for the Commonwealth to ask for retrospective payments for funds that have already been allocated and spent in prior financial years by public hospitals. Not only does this create a precedent for this type of action to occur in the future, it creates significant uncertainty for hospitals to budget and deliver vital services. Such uncertainty may also lead to a further tightening of expenditure in the public hospital system as hospitals look to financially protect themselves by delivering surpluses in a given year rather than spend their budgets to deliver vital services.

AMA Victoria believes that the precedent and uncertainty that this decision makes has a significant and wide-reaching implication for all formula based Commonwealth funding arrangements.

### **Potential solution going forward**

AMA Victoria is of the view that given the uncertainty that this adjustment has created and the significant impact it is having on the delivery of public health services in Victoria, we would ask that this decision be reversed and that the previous funding model apply until the Agreement is reviewed.

If this is not possible we call on the Committee to examine the propriety of asking for a repayment of funds from prior years and after these funds have been spent.

AMA Victoria also asks the Committee to examine the consistency of the data used in the calculation of population growth to ensure that this was done correctly. It is important that this calculation and the data used be transparent and that this information be publicly available and open to scrutiny.

AMA Victoria also suggests that the Committee examine the proposal put forward by Professor Stephen Duckett in his article on 1 February 2013 in *The Conversation*. Professor Duckett suggests a model which allows for funding cuts to be proportioned over future years to lessen the immediate burden on public hospitals and the need for such dramatic and immediate cuts in essential services which we are seeing in Victoria.

**Next steps**

Given the seriousness of the issue and the extremely short time frame for this inquiry I would be happy to meet with the Committee to discuss these issues at your convenience.

If you would like further information regarding this submission please contact Mr Bryce Prosser, Director, Policy and Public Affairs on (03) 9280 8724.

Yours sincerely

Dr Stephen Parnis  
**PRESIDENT**