

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Inquiry into COAG reforms relating to health and hospitals  
7 June 2010

Question no: 31

OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

How will block grants work for the smaller hospitals? What will be the criteria for assessing when a hospital receives block grants vis activity-based funding?

Answer:

The Independent Hospital Pricing Authority (IHPA) will calculate and determine the Commonwealth Government funding contribution for public hospitals for block funding paid against a COAG agreed funding model, including for agreed functions and services and community service obligations, required to support small regional and rural public hospitals.

COAG will determine which hospitals qualify for block funding based on advice provided by the IHPA.

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OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

How will the national efficient price be determined and applied?

Answer:

For the purpose of calculating the national efficient price and state-specific prices, States will provide the Independent Hospital Pricing Authority (IHPA) with hospital-level and patient-level data:

- on State funding contributions towards public hospital services provided by Local Hospital Networks (LHN) under LHN Service Agreements; and
- the data necessary for the calculation of the national efficient and state-specific prices.

The IHPA will calculate state specific prices and national efficient prices in a manner which ensures reasonable access to public hospital services, clinical safety and quality, efficiency and effectiveness, and financial sustainability.

The IHPA will provide advice on the length of time for the transition to national efficient prices, for agreement at COAG, with the aim of ensuring that any structural changes for states and LHNs are gradual and achievable.

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Question no: 33

OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

What mechanisms will be put in place to avoid cost-shifting?

Answer:

The Government's National Health and Hospitals Network reforms will change funding responsibilities and increase transparency across the health sector. The Commonwealth will become the majority funder of public hospital services, and also take full funding and policy responsibility for GP and primary health care and aged care. This means the Commonwealth will have a strong incentive not to cost shift into the hospital system – because it will be left footing the majority share of the bill for expensive acute care services in public hospitals if it does.

Increased transparency through the adoption of Activity Based Funding will, for the first time, make clear the relationship between funding and the services provided for this funding, through public hospitals.

The Independent Hospital Pricing Authority (IHPA) will also have a role in resolving cost-shifting issues. Where jurisdictions are unable to reach bilateral agreement on a dispute, either party may request the IHPA to make a binding determination on cost-shifting issues between jurisdictions, and on cross-border issues, with a view to resolving issues in a definitive, lasting and nationally consistent manner. Mechanisms to enforce the binding nature of the determinations will be agreed by COAG in 2010-11. The capacity to make binding determinations will be excluded from the Commonwealth's reserve powers in relation to the IHPA.

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Question no: 34

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

Who is ultimately responsible for the hospital system and under what circumstances?

Answer:

- The National Health and Hospitals Network Agreement between the States and Territories includes the arrangements concerning areas of responsibility for the hospital system under the reforms. These arrangements provide for hospitals to be funded nationally and run locally.
- The Australian Government through this agreement will become the majority funder of Australian public hospitals. The Australian Government will fund 60% of the national efficient price for all public hospital services and 60% of capital, research and training in public hospitals. It will also take full funding and policy responsibility for GP and primary health care services and for aged care services.
- States and Territories will be responsible for system-wide hospital planning. They will be system managers for hospitals ensuring services are delivered by purchasing these through Local Hospital Networks. States and Territories will be held to account under the performance and accountability framework.
- The responsibility for governance and management of hospital services will be devolved to the local level to Local Hospital Networks and Medicare Locals) They will also be accountable under the new performance and accountability framework through hospital performance reports and healthy community reports. This performance will be monitored and assessed by the Independent National Performance Authority.

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Question no: 35

OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

What time frame is envisaged for a move to fund 100% of the national efficient price of primary care equivalent outpatient services? How will this work? How will quality control be maintained?

Answer:

- The National Health and Hospitals Network Agreement between the States and Territories includes the arrangements for moving to the national efficient price of primary care equivalent outpatient services. The Agreement states that over time the Commonwealth will increase its funding contribution up to 100%.
- The Independent Hospital Pricing Authority (IHPA) will be established from 1 July 2011. The IHPA will provide advice to COAG concerning the primary health care equivalent outpatient services. The IHPA will calculate the national efficient price for these services.
- Quality control will be maintained through the performance and accountability framework which will include national performance indicators, national clinical and safety standards developed by the Australian Commission on Safety and Quality in Health Care and new hospital reports and healthy community reports. This performance will be monitored and assessed by the independent National Performance Authority.

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Question no: 36

OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

How many Local Hospital networks will be established?

Answer:

The final number will be an outcome of the approach set out in the National Health and Hospitals Network Agreement.

Paragraph A7 of the Agreement provides, *inter alia*, that:

In establishing LHNs: States will work cooperatively with the Commonwealth to ensure, wherever possible, common geographic boundaries with PHCO boundaries as outlined under provision B24;

And also that:

...as a transitional matter to establish the new system, the boundaries will be initially resolved bilaterally between First Ministers by 31 December 2010;

Similarly, paragraphs B24 and B25 of the NHHN Agreement provide, *inter alia*, that:

In establishing [Medicare Locals], the Commonwealth will work cooperatively with States to ensure, wherever possible, common geographic boundaries with LHNs as outlined in provision A7.

And also that:

...as a transitional matter to establish the new system, the boundaries will be initially resolved bilaterally between First Ministers by 31 December 2010.

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HEALTH AND AGEING PORTFOLIO

Inquiry into COAG reforms relating to health and hospitals  
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Question no: 37

OUTCOME 13

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

What criteria will be used to determine the area covered for each Local Hospital Network?

Answer:

Characteristics which underpin the establishment of Local Hospital Networks have been agreed with the states:

- LHNs will be consistent with the following broad characteristics:
  - a. LHNs in metropolitan areas will comprise at least one hospital but could comprise a small group of hospitals, and should be built around principle referral hospitals or specialist hospitals
  - b. Some LHNs will have a geographic focus with responsibility for particular areas
  - c. Other LHNs will have a functional focus without any particular geographic focus and will operate with whole of state coverage, for example specialist hospitals or the largest most complex tertiary hospitals
  - d. Smaller metropolitan hospitals should be incorporated within LHNs on the basis of logical links to lead hospitals, whether through patient catchment or referral linkages
  - e. In regional Australia, a flexible approach will be adopted to determine the regional, rural and remote network structure that best meets the needs of these communities and best takes into account the challenges of managing multiple small hospitals
  - f. Noting the benefit of providing effective service models for 'communities of interest' that cross State borders, at the request of States, arrangements for cross border LHNs may be agreed with the Commonwealth

Paragraph A7 of the NHHN Agreement provides, *inter alia*, that:

In establishing LHNs: States will work cooperatively with the Commonwealth to ensure, wherever possible, common geographic boundaries with PHCO boundaries as outlined under provision B24;

And also that:

...as a transitional matter to establish the new system, the boundaries will be initially resolved bilaterally between First Ministers by 31 December 2010;

Similarly, paragraphs B24 and B25 of the NHHN Agreement provide, *inter alia*, that:

In establishing [Medicare Locals], the Commonwealth will work cooperatively with States to ensure, wherever possible, common geographic boundaries with LHNs as outlined in provision A7.

And also that:

...as a transitional matter to establish the new system, the boundaries will be initially resolved bilaterally between First Ministers by 31 December 2010.



Senate Finance and Public Administration Committee

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Question no: 38

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

What is the reason for aiming for LHNs and PHCOs to have the same boundaries?

Answer:

Congruent boundaries in many cases will deliver better integration in service provision and smoother transitions between services for patients from within those boundaries. In some cases it may be more appropriate for Medicare Locals (PHCOs) and LHNs to have different boundaries.

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Question no: 39

Topic: HEALTH REFORM

Written Question on Notice

Senator Fierravanti-Wells asked:

How will Medicare Locals and LHNs operate across state boundaries, especially in areas such as Qld/NSW border on the east coast; ACT/NSW; NSW/Vic border; Vic/NSW/SA.

Answer:

The National Health and Hospitals Network Agreement notes the benefits of providing effective service models for communities that cross state and territory borders and makes provision for cross-border Local Hospital Networks to be established at the request of states (section A6(f)).

The final number and boundaries for Medicare Locals and Local Hospital Networks will be initially resolved bilaterally between First Ministers by 31 December 2010.

Medicare Locals and Local Hospital Networks are being designed to be responsive to local circumstances, so the actual configurations may vary.

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Question no: 40

Topic: HEALTH REFORM

Written Question on notice

Senator Fierravanti-Wells asked:

What legislation is required to enact the National Health and Hospitals Network?

Answer:

The National Health and Hospitals Network Agreement (the Agreement) requires the Commonwealth Government will exercise its best endeavours to put into place legislation to:

- Amend the Federal Financial Relations Act 2009 to implement the financing arrangements (section 22 and Schedule C) and the Home and Community Care and related programs funding transfer (section B27 to B33) in accordance with the Commonwealth's commitments in the Agreement.
- provide for the governance of Commonwealth payments to the joint intergovernmental funding authorities in each State (section A8(c) of the Agreement); and
- establish the Independent Hospital Pricing Authority (section E4), the National Performance Authority (section E23) and the Australian Commission on Safety and Quality in Health Care (expansion and scope to be agreed by Health Ministers, section E29) as independent statutory authorities.

The Agreement requires states and territories to establish:

- Local Hospital Networks as separate legal entities (section 6 of the Agreement); and
- joint inter-governmental funding authorities titled National Health and Hospital Network Funding Authorities – [state/territory] (section A8 of the Agreement).