Submission no. 148
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Submission to The Department of Health and Ageing relating to the Inquiry into Health Funding

Executive Summary

All Australians have an expectation that the nation's health system will meet their health care needs particularly when those needs are acute and life threatening. In fact, in the only Australian study of public views on health care priorities (Community Priorities and Expectations-Geelong and Southern Health 2003) emergency health services were rated as the highest priority of all health services by that community.

Emergency ambulance care is a critical component of our health system but the impact of many national health policy initiatives on ambulance service demand and service delivery appear to have not been considered in the past. The reasons for this are unclear, but may be related to the fact that ambulance service provision falls outside of shared funding arrangements between levels of governments. Regardless of the reasons for this lack of consultation with ambulance service providers, it needs to be understood that whether health policy formulation is focusing on:-

- general practitioners **or** acute hospital care
- rates of day surgery **or** bulk billing
- rural and remote health care **or** mental health reform
- indigenous health **or** health for refugees
- introduction of high cost emerging technologies **or** strategies to deal with the nation's leading health care priorities
- health insurance strategies **or** reciprocal health care arrangements between Australia and other countries
- or a number of other areas of health service provision

it is highly likely that the policy being developed will have significant impacts on ambulance service provision.

In fact, ambulance services have become critically important to the effective functioning of the health system and this is reflected in the considerable growth in ambulance demand across all Australian jurisdictions.

As the Committee considers how the Commonwealth government can take a leading role in improving the efficient and effective delivery of highest-quality health care to all Australians into the future, our Council recommends that:

- Future health policy deliberations specifically consider the impact of potential new policies on ambulance service provision, demand and equitable access by all Australians.
- Those involved in policy development should consult with the ambulance industry at both a national and jurisdiction level to identify issues and implications.
- The Committee review health policy formulation in other countries, such as the UK, to raise its policy awareness of how integral ambulance service delivery is to the effective functioning of the health system.
- The Committee examines long-term policy options related to equitable access by all Australians to all components of the emergency medical system, including emergency ambulance care and transport.

- The Commonwealth government reviews its reciprocal health care agreements with other countries to identify differentials in coverage of ambulance services.

Our Council believes that the emergency medical care needs of Australians should be considered in the context of wider health service policy and service delivery planning into the future and we believe this can best be achieved by direct consultation with our industry at both a national and jurisdiction level. We would be very pleased to give evidence to the Committee in support of these recommendations.

Introduction

The demand for health services in Australia continues to escalate, in large part due to the combined effects of a growing and aging population and the impacts of changes to various components of the nation's health system. This is certainly the case in terms of the demand for pre-hospital emergency care and the specialised health transport services provided by the nation's ambulance services. This issue, as well as a lack of any universal and sustainable funding models have been identified as the most pressing issues facing all Australian ambulance services.

The fact that Australians do not have equitable and consistent access to emergency pre-hospital care in the event of a medical crisis across the various States and Territories is a major concern and a significant point of difference between Australia and many of the countries with which the federal government has reciprocal health care agreements. As is the case with hospital services, ambulance services are the responsibility of the States and Territories. However, unlike hospital services, however, there are no agreements that provide universal and consistent access to emergency ambulance services for all Australians.

Ambulance services throughout Australia are largely funded through some combination of State or territory Government contribution, private citizen subscription scheme and user charges. Variations in the source and mix of these funding sources have led to significant variations between jurisdictions regarding range and quality of services provided and accessibility of those services. Australian States and territories lack access to funding or data sources that enable them to establish ambulance revenue streams, which are based on equity and community rating principles. As a result, there is a wide variety of different funding arrangements between the states and territories, ranging from a compulsory levy on power bills to voluntary subscription schemes.

There are indications that revenue growth is not keeping pace with growth in costs for provision of services, particularly in light of the increase in demand for services and increasing difficulties in raising revenue through subscription schemes. A key factor with this trend is that, like acute hospital utlisation, ambulance demand is highest amongst elderly age groups where chronic and acute health conditions are more common and where invariably there are various arrangements to ensure elderly people pay less for services.

The lack of a nationally consistent approach to the funding and delivery of ambulance services will impact on the medium and long term capacity of ambulance services to meet demand pressures, many of which are directly related to the overall functioning of the health system. For example the availability of general practitioners (including rural areas, outer urban areas and after hours availability) in an area has an influence on ambulance demand as does the efficient functioning of

acute hospitals and advances in medical treatment and technologies. This impact and ambulance capacity will have flow on effects to health systems generally due to the increasing importance of ambulance services to the efficient operation of other components of the overall health care system.

There is an opportunity to introduce a National reform program to improve the sustainability and ongoing performance of ambulance services by developing a nationally consistent approach to the access and funding arrangements for these services similar to the arrangements that exist for hospital based services in Australia or for health services in general in countries such as the UK.

This would ensure sustainable, equitable and accessible ambulance services for all Australians on a national basis.

Background

The Council of Ambulance Authorities (CAA) welcomes this Inquiry into Health Funding by The House of Representatives Standing Committee on Health and Ageing.

This submission into the Inquiry into Health funding emphasises that whilst the role of the ambulance service is of fundamental importance to the adequate functioning of the overall Australian health system there is no consistent approach to funding, access, and emergency care across Australia. The Ambulance services have not been included in the Medicare scheme, which provides a publicly accepted source of revenue for selected healthcare providers. Current trends reveal growth in demand for ambulance services that indicate current funding options are not sustainable into the future. It is the view of the CAA that current funding models used by Ambulance services across Australia should be reviewed.

The Secretary of the Commonwealth Department of Health and Ageing previously wrote to Ambulance jurisdictions to form a working group following an inquiry made at the Senate Estimates Committee. The CAA was in support of this working group and wished to follow up on the offer to form a working group of States and Territories in order to discuss funding, access, and service delivery in relation to Australian Ambulance services. This initiative was subsequently withdrawn by the DOHA.

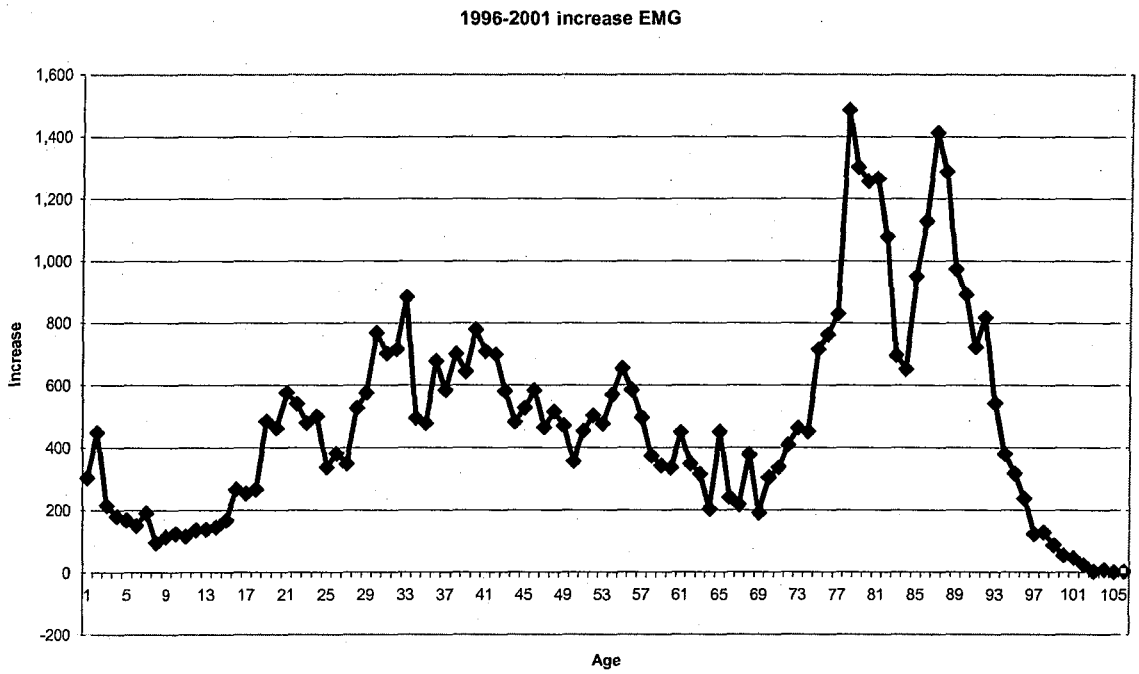
In 2004, the CAA commissioned a study entitled: The Ambulance Demand and Funding Project (Livingstone, Swerissen, Condron, & Dennekamp, 2004). According to the study, current funding systems are unsustainable due to increase of demand for services. The report suggested that funding requires both a nationally consistent activity-based funding system and a national revenue system that allocates funds according to activity (p.47).

Ambulance services operate in each of Australia's states and territories, with the exception of Victoria, which operates both a metropolitan and a rural service. Performance of Ambulance services are measured by response times, number of patients transported, and the number of incidents. However, performance and response times vary between states due to a variety of reasons. These include; scale of population, population density and dispersal, age composition, geography, location of hospital facilities, and the proportion of the population located in remote locations (Livingstone et al., 2004, p. 21). Population dispersal affects costing and performance of the Ambulance service in a variety of ways, including higher cost of service in rural areas.

Growth in Demand

A brief review of data relating to Ambulance services demonstrates a growth in demand. A recent study on Ambulance Demand Forecasting by The Australian Institute for Primary Care (Livingstone, & Gardener, 2005) looked into possible factors that influence emergency usage in the Ambulance services. Possible factors that were examined were: the ageing population, changing hospital practices, dispersed population, socioeconomic change, access to other services, and public expectations or perceptions. The study found that ageing only accounted for 25% of increased emergency demand in usage of Ambulance services, however overall emergency demand has increase by 47.2% from 1996-2001. Chart 1 (data from Melbourne Ambulance Service MAS) demonstrates the increase from 1996-2001 in emergency usage across all ages. Similar increases are reflected across all Australian Ambulance services.

Chart 1: Increase in Emergency use (1996-2001).
Source: Livingstone, & Gardener (2005)



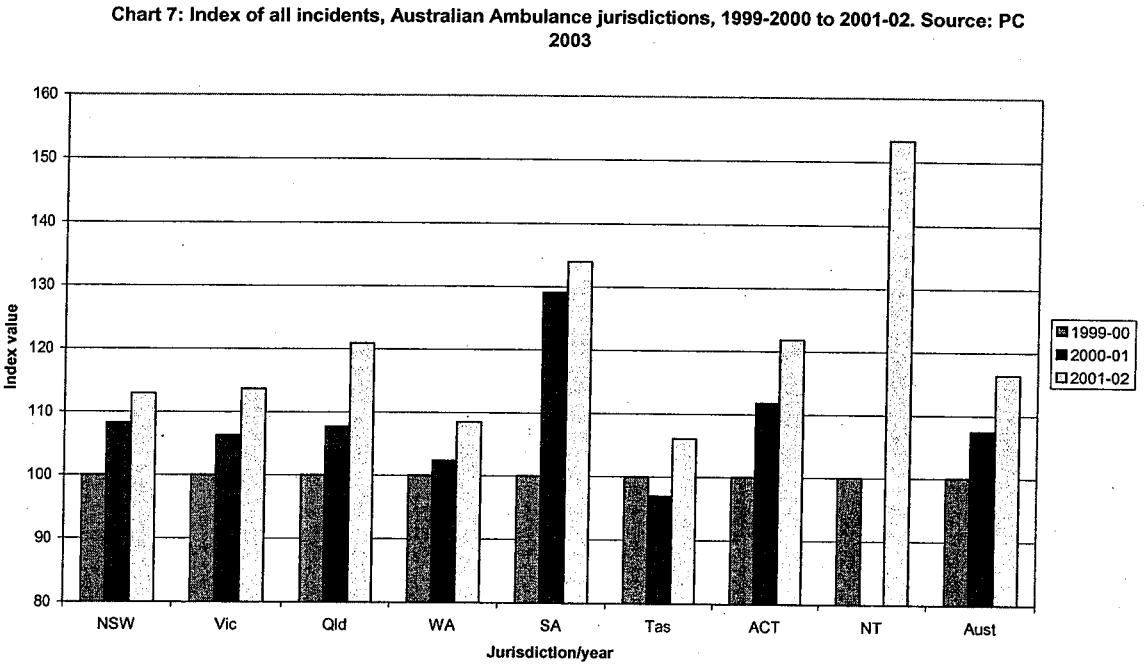
Key Trends

Key trends in Australia's health system impact the use and demand of Ambulance services and these include: increased hospital throughputs; shorter lengths of hospital stay; increased rates of day surgery, day and outpatient treatment; development in diagnostic and treatment technologies;

increasing specialisation of various components of the health care system; de-institutionalisation of people with mental illnesses and mental disabilities; and an increased incidence of community care (Livingstone et al., 2004, pp. 7-8). Ambulance services are becoming increasingly more central to the effective operation of the health system.

If the current trends in ambulance usage continue to increase, current funding systems may not cover the cost. From the time period of 1999-2000, 2001-2002 revenue for Ambulance services increased by 12%, however over the same period incidents rose by 16%. This indicates that revenue growth is not keeping up with demand (Livingstone et al., 2004, p.3). Chart 2 demonstrates this increase of all incidents across jurisdictions from 1999-2000 and 2001-2002 (p.26).

Chart 2: Increase of all incidents, Australian Ambulance services
Source: PC 2003 in Livingstone, et al. (2004)



Current Funding Approach

Currently there is no consistent approach to funding, access, and provision of pre-hospital emergency care in Australia. As demonstrated in Table 1, (page 7) Ambulance services current funding arrangements vary between jurisdictions. Predominantly funding is a combination of direct state or territory revenue, subscription schemes, and user charges (Livingstone et al., p. 13). The Commonwealth does not provide direct funding and the Ambulance services are not included as a component of the Australian Health Care Agreements (p. 2).

Table 1: Ambulance service funding arrangements in 2002-2003
Source: PC (2003) in Livingstone, et al (2004)

Jurisdiction	Organisational arrangements	Funding arrangements (2002-2003)
NSW	Stat. authority reporting to Min Health	Direct State revenue - subscription fees flow via consol. rev.
Vic	Stat. authorities (3) reporting to Min Health	Direct State revenue plus subscription scheme
Qld	Div'n of Dept of ES, reporting to D-G who reports to Min ES	State revenue through Community Ambulance Cover system introduced in July 2003, funded from levy on electricity accounts.
SA	Stat. Authority reporting to Min Health	Direct State revenue plus subscription scheme and user charges
WA	St John Ambulance under contract to WA govt	Transport fees primary revenue source plus low level of State revenue. Subscription scheme operated by private health insurance fund. Co-payment of $50 per non-emergency transport recently introduced
Tas	Stat. service of Ambulance and Hosp div'n of DHHS	Direct State revenue
ACT	Agency of ACT ESA reporting to Min Police, ES & corrections	Direct Territory revenue plus modest subscription scheme
NT	St John Ambulance under contract to NT govt	Direct Territory revenue plus modest subscription scheme

In NSW and the ACT, the payment of subscription revenue goes directly to state treasury, but in other jurisdictions subscription revenue is paid directly to the Ambulance services. In Queensland, a revised funding system was introduced in July 2003 via an electricity levy, which gives consumers access to services free of charge. The electricity levy was introduced as an alternative to the use of a Medicare levy, which was unsuccessfully proposed to the Commonwealth. In Tasmania, the general public receives free ambulance services (no means testing) due to funding through direct state revenue. In WA, the ambulance subscription scheme (which was purchased by private health insurance fund) imposes a co-payment of $50 in cases where transport is not to a hospital emergency department (Livingstone et al., 2004, p12).

Ambulance services are also provided free of charge to those users who;

- hold a subscription or insurance,
- have been injured at work or in motor vehicle accidents,
- are transported between public hospitals,
- are qualifying health care cardholder.

Patients with none of the above (except patients in Tasmania) are charged for services. Consumers, hospitals, and other funders (For example: transport accident insurance schemes) can also be charged by Ambulance services to varying degrees. Charges for these services also vary between jurisdictions.

A report by the independent competition and regulatory commission (2006) found that, *'there does not appear to be any clear consistent relationship between cost and fees for ambulance services in any jurisdictions. The services are failing to recover their full costs in a number of states...'*

International Comparison

An overview of International ambulance services reveal that they are funded in a variety of ways, however funding is more consistent within the countries. In the UK, all citizens are insured through The National Health Service, which is funded by general tax revenue. The Ambulance service is covered under this scheme, health care is provided for citizens based on need. In the Netherlands, individuals are required to pay directly for ambulance services. In Belgium, public health insurance does not cover ambulance services but will cover transport cost in some cases. In Germany a Statutory Health Insurance Scheme covers ambulance services, 90% of Germans are covered under this scheme and a further 10% are privately insured. In Canada, land ambulance costs are shared between municipalities and the province 50:50. In the United States, ambulance services are funded by direct charges, private and charity providers, health insurance, and co-payment arrangements. Recent developments in the US have seen the use of Medicare as a funding system for ambulance services (Livingstone et al., 2004, pp.61-66).

Australia has Reciprocal Health Care Agreements with Ireland, Italy, Finland, Malta, the Netherlands, New Zealand, Norway, Sweden, and the United Kingdom (Medicare Australia, 2005). For visitors coming into Australia, this agreement covers them for only immediately necessary medical treatment and does not include ambulance cover. However, for Australians visiting some of these countries, ambulance cover is included in health agreements. For example: Australians travelling in the United Kingdom are covered for ambulance travel to, from, and between NHS (National Health Service) hospitals and facilities operating under this scheme. Through the agreements Australians travelling overseas are covered by Medicare for some ambulance services, yet Australians are not covered for these services whilst living in their own country.

Ambulance Demand and Funding Project

According to the Draft Ambulance Demand and funding Project (Livingstone et al., 2004), reform of funding Ambulance services is essential due to the probability that demand will continue to grow (p.51). Options for reforming Australian Ambulance funding systems include revenue and funding model options. Revenue model options include: expansion of subscription fees, introduction of enhanced fees or revenue models to shift Ambulance costs to consumers, continuation of or increases to existing levels of state funding, and incorporation of Ambulance service revenue collection into the Medicare system (p.50). Funding model options include: maintenance of current arrangements, development of an activity-based funding model on a state-by-state basis, development of a nationally agreed activity-based funding model, and further development and utilisation of current clinical and associated service quality measures based on current Australian best practice (p. 52).

Results from the Draft Ambulance Demand and funding Project (Livingstone et al., 2004) indicate that the best solution to Ambulance funding requires both a nationally consistent activity-based

Ambulance funding system and a national based revenue system (p.42). The study recommended that a national Commonwealth-state framework needs to be established and promoted through the Australian Health Care Agreements. Funding should be incorporated into the agreement on the same basis as general funding principles for public hospital services. A single funding system could be developed over time that allocates funds according to activity and infrastructure (p. 47).

Further Research

Further research is required to provide the basis for the development of funding options, primarily to provide a comprehensive costing model for each State and Territory. The Ambulance Demand and Funding Project recommend further research in these areas: understanding of cost drivers and revenue, development of a comprehensive model for predicting reasonable costs of ambulance events, research into factors contributing to ambulance demand, development of a multifactor model for forecasting demand growth, further development of clinical indicators, standardization of data, and development of alternative service model drawing from overseas and Australian experience (Livingstone, et al., 2004, pp. 5-6).

Ambulance service provision

Ambulance services are critically important to the effective functioning of the health system and this is reflected in the considerable growth in ambulance demand across all Australian jurisdictions.

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