
The Parliament of the Commonwealth of Australia

The Blame Game

Report on the inquiry into health funding

House of Representatives
Standing Committee on Health and Ageing

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Canberra

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Foreword

A common complaint to Members of Parliament is that, when people are unhappy about their health care, both the Commonwealth and the states blame each other for the failings of the health system. While the associated political grandstanding often makes for some good headlines, the blame game does not benefit patients. Patients don't care which level of government manages or pays for their health care – they want reliable access to quality care.

The blame game is a feature of the health system in Australia. The committee considers that an Australian Government led 'national health agenda' is an important part of addressing the blame game.

Addressing the blame game will involve a national approach to developing and funding health care. This will require leadership from the Australian Government, cooperation by the states and a joint commitment to end the blame game. The complexity of health delivery and financing, the rate of development of new health technologies and rising community expectations mean that ongoing reform is needed.

While there is scope for improving the quality and access to health care in Australia, it is important to bear in mind that the health system delivers good outcomes compared to similar overseas countries.

There is no questioning the commitment and dedication of the health workforce in providing high quality health care. Despite the constraints that financing arrangements can impose, most of the time health professionals are able to ensure that patients receive the care they need, when they need it. However, access to health care, particularly in regional, rural and remote areas requires sufficient skilled health workers training and working in major cities and in regional areas.

I welcome the Australian Government's recent commitment to address the under investment in training places for medical and other health professionals over the past 15 to 20 years. However, attention now needs to be given to ensuring that there are sufficient clinical training opportunities in both the public and private sectors for rising numbers of health trainees.

The committee received considerable evidence about Australian Health Care Agreement funding for public hospitals. These agreements expire on 30 June 2008 and governments are considering options for reform. The committee supports some divergence from the current funding model to remove barriers to health reform and more closely link funding with national policy standards and accountability for quality health care. Public hospital funding arrangements should also give closer attention to the health care needs of people living in regional and rural areas.

One key objective of the inquiry was to allow for a transparent engagement with organisations and individuals outside government about their ideas on health funding. The inquiry overlapped with a review by the Council of Australian Governments (COAG), which by its nature, does not provide opportunities for wide consultation with health professionals or the community. The committee is pleased that many of these concerns have been addressed.

The committee received 159 submissions, held 18 public hearings, made 9 site inspections and received approximately 28 private briefings. I would like to thank those who put so much time and effort into their submissions and travelled long distances to appear at public hearings and assist the committee.

It was particularly pleasing to receive submissions and hear evidence from the governments of the ACT, Victoria, Northern Territory, Western Australia and South Australia. Unfortunately, other state governments, some of whom voiced opinions in the media, did not choose to make a direct contribution to the inquiry.

During the course of the inquiry, there were significant problems in the Queensland health system, including allegations of misconduct by 'Dr Death' in Bundaberg Hospital. It is clear that there needs to be significant reform within Queensland Health to ensure that there is no repeat of the horrors allegedly allowed to be practised by Dr Patel. The Queensland Minister for Health did not take up my offer to conduct a swift and open inquiry into further claims of misconduct in August 2006 at Mackay Base Hospital.

Finally, I would like especially to thank the Deputy Chair, Jill Hall MP, and all the members of the committee, including the early involvement of Malcolm Turnbull MP. The committee's enthusiasm for developing health reforms was shown by the hard work and determination to hear evidence and make site inspections around Australia. The committee secretariat work was diligent and sustained, and the committee thanks all those staff involved.

Hon Alex Somlyay MP
Chair



Membership of the Committee

Chair Hon Alex Somlyay MP

Deputy Chair Ms Jill Hall MP

Members Hon Alan Cadman MP

 Mrs Justine Elliot MP

 Mrs Kay Elson MP

 Hon Warren Entsch MP (from 9/2/06)

 Mr Steve Georganas MP

 Mr Michael Johnson MP

 Ms Catherine King MP

 Mr Malcolm Turnbull MP (until 9/2/06)

 Mr Ross Vasta MP

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Terms of reference

The House of Representatives Standing Committee on Health and Ageing has reviewed the 2003-2004 annual reports of the Department of Health and Ageing and the Private Health Insurance Administration Council and resolved to conduct an inquiry.

The Committee shall inquire into and report on how the Commonwealth government can take a leading role in improving the efficient and effective delivery of highest-quality health care to all Australians.

The Committee shall have reference to the unique characteristics of the Australian health system, particularly its strong mix of public and private funding and service delivery.

The Committee shall give particular consideration to:

- a) examining the roles and responsibilities of the different levels of government (including local government) for health and related services;
- b) simplifying funding arrangements, and better defining roles and responsibilities, between the different levels of government, with a particular emphasis on hospitals;
- c) considering how and whether accountability to the Australian community for the quality and delivery of public hospitals and medical services can be improved;
- d) how best to ensure that a strong private health sector can be sustained into the future, based on positive relationships between private health funds, private and public hospitals, medical practitioners, other health professionals and agencies in the various levels of government; and
- e) while accepting the continuation of the Commonwealth commitment to the 30 per cent and Senior's Private Health Insurance Rebates, and Lifetime Health Cover, identify innovative ways to make private health insurance a still more attractive option to Australians who can afford to take some responsibility for their own health cover.



List of abbreviations

ACHS	Australian Council on Health Care Standards
ACSQHC	Australian Council for Safety and Quality in Health Care
AHCA	Australian Health Care Agreement
AHMC	Australian Health Ministers' Conference
AIHW	Australian Institute of Health and Welfare
AMA	Australian Medical Association
COAG	Council of Australian Governments
COPD	Chronic Obstructive Pulmonary Disease
FAGs	Financial Assistance Grants
FBT	Fringe Benefits Tax
GDP	Gross Domestic Product
GPs	General Practitioners
GST	Goods and Services Tax
HACC	Home and Community Care
HPPA	Hospital Purchaser Provider Agreement
IMVS	Institute of Medical and Veterinary Science

MBCC	Medicare Benefits Consultative Committee
MBS	Medicare Benefits Schedule
MOU	Memorandum of Understanding
MPS	Multi-Purpose Services
MS	Multiple Sclerosis
MSAs	Medical Savings Accounts
MSAC	Medical Services Advisory Committee
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PEI	Patient Episode Initiation
PHIAC	Private Health Insurance Administration Council
PHI	Private Health Insurance
PHOFA	Public Health Outcome Funding Agreement
RPBS	Repatriation Pharmaceutical Benefits Scheme
SPGPPS	Strategic Planning Group for Private Psychiatric Services
SPPs	Specific Purpose Payments
VMO	Visiting Medical Officer



List of recommendations

3. A national health agenda

Recommendation 1

The Australian, state and territory governments develop and adopt a national health agenda. The national agenda should identify policy and funding principles and initiatives to:

- rationalise the roles and responsibilities of governments, including their funding responsibilities, based on the most cost-effective service delivery arrangements irrespective of governments' historical roles and responsibilities;
- improve the long term sustainability of the health system as a whole;
- support the best and most appropriate clinical care in the most cost effective setting;
- support affordable access to best practice care;
- rectify structural and allocative inefficiencies of the whole health system, as it currently operates;
- give a clear articulation of the standards of service that the community can expect;
- redress inequities in service quality and access; and
- provide a reporting framework on the performance of health service providers and governments. (*para 3.52*)

Recommendation 2

As a matter of priority, the Department of Health and Ageing undertake the actions specified in the July 2006 Council of Australian Governments' response to the Productivity Commission's health workforce inquiry to:

- improve the efficiency and transparency of existing mechanisms to assess changes to the Medicare benefits schedule; and
- strengthen links between the Medical Services Advisory Committee and the Medicare Benefits Consultative Committee.
(para 3.107)

Recommendation 3

The Australian Government should supplement state and territory funding for public dental services so that reasonable access standards for appropriate services are maintained, particularly for disadvantaged groups. This should be linked to the achievement of specific service outcomes. *(para 3.119)*

4. Funding a sustainable health workforce

Recommendation 4

The Department of Health and Ageing take a lead role to better coordinate the existing jurisdiction-based recruitment of overseas trained health professionals by the Commonwealth and state and territory governments. *(para 4.53)*

Recommendation 5

The Australian Government implement a strategy for Australia to:

- be self sufficient by 2021 in producing adequate numbers of health profession graduates to meet projected demand;
- provide the necessary funding to expand the training system to accommodate the required number of students; and
- consider using the AusAID budget to expand medical training to further assist developing countries. *(para 4.59)*

Recommendation 6

The Minister for Science, Education and Training ensure that agreements about health workforce allocation and funding between the Department of Education, Science and Training and universities allow for supplementary funding by the Department of Health and Ageing to:

- provide support to universities to attract and retain key academic staff; and
- ensure appropriate clinical training opportunities for medical and other health workforce students. (*para 4.71*)

Recommendation 7

The Australian Government develop explicit purchasing agreements for clinical training with public health care providers. The purchasing agreement would cover:

- funding levels – adequate to support existing and planned levels of training in both metropolitan and regional locations;
- specified outcomes – including the quantity and quality of training conducted; and
- performance measures – allowing timely assessment of progress in meeting obligations. (*para 4.82*)

Recommendation 8

The Australian Government take advantage of expanding opportunities for private sector health providers to conduct clinical training and, where appropriate, enter into purchasing arrangements to fund this training. (*para 4.94*)

Recommendation 9

The Australian Government ensure that the new national health professions' accreditation body's decisions about changes in models of care arising from task substitution are also reflected in funding arrangements. (*para 4.108*)

Recommendation 10

The Australian Government amend the *Fringe Benefits Tax Assessment Act 1986* so that:

- local governments operating aged care facilities are able to qualify for fringe benefits tax exemptions granted to public benevolent institutions for employees involved in the aged care facility; and
- fringe benefits exemptions applying to public employers delivering health services in hospital-based settings also apply to public employers providing health services in other settings. (*para 4.123*)

5. Rural and regional health services

Recommendation 11

The Minister for Health and Ageing, in consultation with state and territory health ministers and as part of the national health agenda (see recommendation no. 1), develop standards for the delivery of health services in regional, rural and remote areas. (*para 5.41*)

6. Local government

Recommendation 12

The Minister for Local Government, Territories and Roads give priority to the development of processes and guidelines to assist Australian Government agencies implement the principles of the Inter-Governmental Agreement on Local Government, as announced by the Australian Government on 6 September 2006. (*para 6.34*)

7. Public hospital services

Recommendation 13

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government either:

- vary its funding arrangements so that the 'utilisation growth factor' can rise or fall in response to the actual level of services provided on the basis of clinical need; or
- define the number of services that it will fund, in a way that is consistent with its funding and indexation formulae. (*para 7.33*)

Recommendation 14

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government ensure that indexation arrangements reflect actual cost increases discounted by an appropriate efficiency dividend. (*para 7.34*)

Recommendation 15

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government should define the standards that states must meet to satisfy the principle of equitable access to public hospital services, particularly in relation to people living in rural and regional areas. (*para 7.43*)

Recommendation 16

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government consider dividing funds into separate streams through which it can:

- provide general revenue assistance to the states as a supplement to the Goods and Services Tax (GST) pool; and
- make specific purpose payments to the states to support its policy objectives in relation to public hospital services and health system reform. These payments:
 - ⇒ should be linked to outcomes and performance standards; and
 - ⇒ should not be absorbed into the GST pool. (*para 7.49*)

Recommendation 17

The Australian Government should make specific purpose payments to the states and territories for the provision of public hospital services subject to horizontal fiscal equalisation using the Commonwealth Grants Commission's 'inclusion' method rather than by being absorbed into the Goods and Services Tax (GST) pool. This would require amendments to the *A New Tax System (Commonwealth –State Financial Arrangements) Act 1999*. (*para 7.53*)

Recommendation 18

The Australian Government should ensure that the terms and conditions associated with future public hospital arrangements do not lock-in historical Commonwealth-state service provision models. Future arrangements should:

- support the movement of services between Commonwealth and state funded programs where this leads to better quality or more cost effective care; and
- allow post hoc adjustments to Commonwealth-state funding arrangements if necessary. (*para 7.59*)

Recommendation 19

The Australian Government consider extension of Medicare Benefits Schedule funding, or substitute grant funding, to public outpatient and emergency department services. (*para 7.65*)

8. Private health

Recommendation 20

The Australian Government introduce an outcomes-based assessment process that:

- examines the clinical benefits of new prostheses prior to their widespread use in Australia; and
- reviews the effectiveness of prostheses currently in use. (*para 8.49*)

Recommendation 21

The Australian Government amend private health insurance legislation to require that a single coordinating doctor be required to obtain informed financial consent from a patient in relation to all treating health professionals in all but the most exceptional circumstances (such as emergencies). The patient should consent in advance to the cost of the full range of services provided by all health professionals involved in the patient's care. (*para 8.68*)

Recommendation 22

The Australian Government, in conjunction with the Australian Medical Association, establish guidelines for private hospitals and health funds that discourage medical professionals and private hospitals providing specific advice to their patients about transfer private health insurance funds and/or products. (*para 8.79*)

Recommendation 23

The Department of Health and Ageing undertake further research to examine how medical savings accounts could be introduced within the Australian health financing system as a health savings and insurance vehicle. (*para 8.98*)

9. Improving accountability

Recommendation 24

The Australian Government, in conjunction with the states and territories, give priority to undertaking research to develop mechanisms to make waiting lists for public hospital elective surgery fairer. (*para 9.15*)

Recommendation 25

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government provide incentives for the states and territories to report in a consistent manner on patient waiting times for access to specialists in outpatient clinics. (*para 9.20*)

Recommendation 26

In negotiating future Australian Health Care Agreements, or substitute arrangements, the Australian Government require all public hospitals to:

- be accredited by the Australian Council on Healthcare Standards (or an equivalent accreditation agency); and
- publish their accreditation reports within three months of being completed. (*para 9.38*)

Recommendation 27

The Australian Government prohibit the payment of private health insurance benefits for hospital services unless the relevant hospital:

- is accredited by the Australian Council on Healthcare Standards (or an equivalent accreditation agency); and
- publishes their accreditation reports within three months of being completed. (*para 9.39*)

Recommendation 28

The Australian Government require all state and territory governments to regularly publish reports on sentinel events occurring in their public hospitals. (*para 9.47*)

Recommendation 29

The Australian Government support the development of hospital and clinician-based performance information systems to better inform patients about the competence of health care providers and strengthen accountability of health professionals and health service providers. Reporting systems should allow, where appropriate, for performance information to be qualified to reflect differences in the type of patients being treated. (*para 9.54*)

