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Business  
Council of  
Australia



# **Business Council of Australia**

**Submission to the**

**House of Representatives Standing Committee on Health  
and Ageing**

**into the**

**National Health Reform Amendment (National Health  
Performance Authority) Bill 2011**

**March 2011**

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***Executive summary***

The Business Council of Australia (BCA) welcomes the establishment of the National Health Performance Authority, along with the permanent establishment of the Australian Commission on Safety and Quality in Health Care. However, these should be seen as a first step in an overall redesign of system governance aimed at improving outcomes and the performance of the health sector. Future governance reforms should build on the lessons of economic reform and successful institution building in other sectors

The COAG health reforms have established new access and performance targets and associated reporting requirements. The establishment of local network boards for hospitals and primary care aim at improving decision-making at the local level, through better matching resources to needs and providing a mechanism for local input, including clinical input to resource allocation decisions. Together, with the performance monitoring responsibilities assigned to the above institutions and the development of the *My Hospitals* website, the governments have committed to greater transparency and information to guide the decisions of taxpayers and patients.

The provision of such information is an important role of government, either directly or indirectly, in ensuring that markets operate well. Yet the establishment of several authorities, reporting to health ministers and subject to intergovernmental agreements and Ministerial Council decisions suggest that *one* of the central reform tasks – that is, to ensure that the healthcare sector, comprising primarily private sector providers, is operating as efficiently as it can – is still not fully accepted. The main function of the Performance Authority is to monitor and report upon the performance of key providers within the healthcare sector, not to report on the performance of the system itself, nor to recommend changes that would lead to improved functioning of the sector or the system.

Further, the quality assurance function so essential to building the confidence of taxpayers, patients and other investors in the system remains as dispersed as the responsibility for sectoral improvement.

For this reason we believe that the creation of the authorities must be seen as a first step in establishing a national system of governance for the health sector and those future reforms should move to streamline it and orient it to a more traditional market oversight role. That future role must necessarily recognise the mixed public and private nature of our health sector, its future capital formation and skills needs, together with the greater information and support needed by consumers as they are expected to take more responsibility for managing their own health and healthcare costs.

### ***Introduction***

The Business Council of Australia (BCA) represents the chief executives of over 100 of Australia's leading companies. The BCA develops and advocates, on behalf of its members, public policy reform that positions Australia as a strong and vibrant economy and society. Our vision is for Australia to be the best place in the world in which to live, learn, work and do business. Integral to this vision is good health outcomes and an effective healthcare system.

Australia's health challenges are well documented. They include: the rise of chronic disease; the sustainability of our healthcare system as demand and expectations increase and health workforce numbers lag need; its slowness to re-configure services to meet a changed pattern of disease and treatment; persistent quality problems and inequitable health outcomes. Just adding dollars will not solve the problem. Fundamental changes to the way in which health is promoted and healthcare delivered are required to address these challenges in ways that are affordable, equitable and high quality.

Not addressing these challenges will affect both individuals' quality of life and financial prosperity and that of the nation. Poor health is linked to lower educational outcomes, lower workforce participation and lower productivity. Individuals' capacity for full economic and social participation is limited.

Moreover, the failure to address the efficiency with which resources are used in the healthcare sector at a time of projected resource scarcity lowers the productive potential of the whole economy. At 10 per cent of GDP this sector's performance is important. Most agree that the first step in addressing the supply of services is to ensure that the current resources allocated to healthcare are used efficiently and effectively. Evidence presented to the National Health and Hospitals Reform Commission suggests that there is scope for improvement. In our view equal attention must be paid to improving the economic performance of the health sector/market as to the clinical and care issues so well identified by the National Health and Hospitals Reform Commission.

From our perspective the aims of health reform should be two-fold:

- Improve Australia's health.
- Improve the effectiveness and productivity of our healthcare system.

We would expect to see these objectives clearly articulated in any reform initiatives.

### ***Reconceptualising system governance – building a system and developing a sector***

A redesigned governance system for health needs to promote the objectives of reform and facilitate the growth in capacity the sector requires. Our starting point is principles of good governance – the need for clarity of purpose, roles and responsibilities; transparency and timely accountability to all stakeholders; recognition and management of risk; ethical and responsible decision-making; good and timely information to aid decision-making by policy-makers, potential investors and providers, citizens and consumers. These are needed at least two levels: at the level of individual organisations and at a system level.

In this submission we focus on the second. Along with the Australian Institute of Health and Welfare and the Australian Safety and Quality in Healthcare Commission, the National Health Performance Authority will be responsible for monitoring and reporting upon the performance of key healthcare providers. Each body will have a separate role and reporting responsibilities, the consequences of which are expected to trigger performance improvement.

Yet this design fails to capture the full potential of two advantages that Australia has in pursuing health reform. The first of these is that Australia already has the mix of private and public funding and service provision (a regulated healthcare market sector) to which many other countries aspire. The second advantage, but less acknowledged within the context of health reform, is the success Australia has had in building independent economic institutions, such as the Reserve Bank, the Productivity Commission, APRA and ASIC. The capacity of these institutions to oversee whole systems and sectors, from an economic perspective, has led to strengthened performance and confidence in other sectors undergoing structural change.

By combining these two advantages we could accelerate the rate of transformation and improvement in the healthcare sector. The current proposed governance design at the system level, while better than the existing one, is still too fragmented and subject to bureaucratic oversight. Indications are needed of how total system measurement and monitoring and market oversight are to be achieved

***System management and governance – two separate roles***

In other sectors, governments have been clear about their responsibilities for market development. They have sought to ensure that:

- Barriers to entry and exit are appropriate to the sector
- Adequate information is available to stakeholders, including investors, both before and after the operating period
- Adequate and trustworthy information is available to consumers to guide their choices and ensure grievance and complaints processes are in place
- The quality of goods and services meets appropriate benchmarks, including safety benchmarks, and that services are provided by appropriately qualified personnel
- That providers of services and goods meet financial and sustainability standards, comply with all relevant legislation

In the health sector, however, governments' responsibilities extend beyond facilitating a market. Governments are the dominant purchasers and funders of services to meet the needs of citizens. They are also the managers of publicly owned institutions which provide services. These functions generate informational and accountability requirements in their own right.

Currently information to fulfil these functions and to account for them is intertwined with the normal functions of market supervision that stakeholders and other participants, most importantly, consumers might expect. While the reforms promise to improve the information available to consumers and citizens, they are also heavily influenced by the desire for governments to manage their budgets and their institutions.

Because we are differentiating between health system and health market, we have previously suggested the establishment of two separate independent bodies. The

first, an independent planning commission, would provide independent and long-term advice to governments about projected health needs and the best ways to meet these needs. Its concern would be the nation's health system. This body would also provide regular information to the community about the extent to which health outcomes were being achieved and gaps in service met. The changing demands of chronic disease will necessarily mean that this will need to foster a system perspective and assessment of the extent to which preventative and population health interventions are linking to team-based care models for individuals. This is appropriately a responsibility associated with ministers of health.

The second body would address the quality assurance and consumer information functions implicit in the health market supervision responsibilities outlined above. This is fundamentally an *economic* function, embracing assessments of productivity and market performance, and would therefore be more appropriately housed in an independent economic portfolio. A health sector regulatory body, taking on functions similar to those exercised by APRA or ASIC in the financial services sector, would supervise and oversee the health sector to ensure public confidence in the sector by providing a regulatory framework that balances safety with efficiency; promotes innovation, but manages risk; promotes a focus on outcomes and ensures access to timely accurate and appropriate information that would allow citizens, patients and other stakeholders to make reliable assessments about that sector's performance over time. Such a body could take up the responsibilities currently envisaged for the ASQCH, the Australian Institute for Health and Welfare and the National Health Performance Authority and strengthen the orientation of the sector as a sector and system.

#### **Concluding comments**

Our concerns about the current system governance design and the National Health Performance Authority in particular are therefore:

- *Who the authority reports to and its degree of independence* The focus on improving sector performance from an economic perspective (that is, raising the productivity of the sector) would be better achieved through being aligned with similarly focused bodies. These are part of the Treasury portfolio. In the current Bill, the proposed level of independence is less than that afforded those bodies.
- *Focus and objectives* While we support the commitment to greater measurement and transparency as a means of driving better patient outcomes, we are concerned that intertwining the oversight of the system (or elements of it) and market, the capacity to pursue the full range of health and economic objectives is diluted.

Moreover we also consider that a more focused reform program will emerge from having clearly stated purposes for the authority's monitoring and reporting responsibilities, in the same way that the Treasury bodies do. In our view the purpose of the monitoring and reporting – the outcomes sought – should be clearly articulated.

- *Coverage* The proposed monitoring and reporting functions appear to apply to elements of the sector rather than to the sector/system as a whole or to all the elements. Thus from the perspective of seeking to understand either the sector's economic performance overall or the extent to which the healthcare system meets demand, there are likely to be gaps in information that will make the assessments by stakeholders more difficult.

The BCA supports the establishment of the National Health Performance Authority as part of a serious attempt to improve the measurement and transparency of Australian healthcare. However, it strongly recommends that this be seen as an initial step with later reforms building on the experience of reforming other sectors and establishing successful sector oversight functions. Clarity of role, purpose and accountabilities will be critical to ensuring their success in achieving the improvement in performance necessary. The current proposals can be further refined to ensure that the objectives of the reform are embedded more clearly, fragmentation is further reduced through reconsidering the coverage and system responsibilities and by considering which portfolio has the expertise to oversee sectoral and market performance improvement.