

Ms Blesser,
Committee Secretary,
Australian Senate Community Affairs Legislation Committee
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Parliament House, Canberra ACT 2600 community.affairs.sen@aph.gov.au

Dear Ms Blesser,

Thank you for your recent correspondence concerning submissions to the Australian Senate Community Affairs Legislation Committee on the National Health and Hospital Network Bill 2010. As recently advised, my submission builds upon my previous submission to the Committee on the Bill under the 42nd Parliament. This submission should be read in conjunction with my previous submission at [Attachment 1](#). My submission below discusses recent political and media developments which may impact on the Senate's consideration of the legislation. This relates to the Second Reading Speech in the House of Representatives on the Bill on 29 September 2010 and related Parliamentary debates on the Bill during 25 October, 2010. Recent views in the media concerning the upcoming National Forum on Safety and Quality in Health Care are discussed. Further, I consider the implications of the Mid Year Economic and Fiscal Outlook (MYEFO) for budget cost savings discussed at recent Senate Estimates Committee hearings, spending under the Health and Hospital Fund and planning for the regional hospitals.

1. House of Representatives National Health and Hospitals Network Bill 2010 Second Reading Speech

The National Health and Hospitals Network Bill 2010 establishes a permanent Australian Commission on Safety and Quality in Health Care. The broader government's health reforms create a National Health and Hospitals Network (NHHN) that is funded nationally and run locally. The Bill is a key component of this overall health reform agenda which impacts on capacity, better connecting care, improved access to services, preventive health, sustainability and quality (Roxon, 2010)¹. In my view this broad reform agenda represents excellent Evidence Based Policy. Roxon (2010)¹ indicates that the Australian Commission will have an expanded remit to drive safe, high quality care and to ensure the appropriateness of services delivered in health care settings including primary care and mental health. It will help reduce harm caused by preventable errors, reduce health costs from ineffective or unnecessary treatment. It will formulate safety and quality standards, guidelines and indicators, working with professional bodies, clinicians and consumers to improve the health system. The Commission will advise all health ministers about the suitability of standards for local hospital networks to implement as national clinical standards addressing safety and quality. Once the standards are agreed by Commonwealth, States and Territories, the local hospital networks will implement them (Roxon, 2010)¹. The Bill will later be amended to include provision to establish an independent hospital pricing authority and a national performance authority. The Commonwealth will provide \$35.2m over four years to jointly fund, with the States and Territories, the continued expansion of the Commission to support improvement in safety and quality in health care (Hall, 2010)².

Dutton (2010)³ asserts that the NHHN reform "*purports to localize control of the health system. Unfortunately the evidence suggests that these changes will result in centralization and bureaucratization*". I dispute this assertion. Section 3 of this paper clearly outlines evidence of significant quality and efficiency improvements in the Victorian model of hospital networks in the context of Activity Based Funding (ABF) and the implementation of best practice medicine. This included, in two large hospital networks, a very high level of local engagement of physicians and clinical staff in the governance structure. The methodology for implementation of EBM was based on that of the NHMRC and The Netherlands⁴, considered to be a world leader in safe health systems. The methodology used by Antioch et al (2002)⁴ is at [Attachment 2](#). The government's broad reform agenda draws, in general, on the Victorian State system of corporate governance via hospital networks in the context of ABF. Dutton (2010)⁵ further indicates that "*the government should have introduced provisions for all the proposed bureaucracies together. It remains unclear why the minister has delayed legislation for the National Performance Authority and Independent Hospital Pricing Authority*"... "*The coalition supports the role of the commission but consistent with Mr Tanner's views believes that this can be achieved within the resources of the department. The coalition calls on the government to provide all provisions to establish all bodies intended under this bill*"⁵. Baldwin (2010)⁶ further opposes the legislation because "*it directly affects federal funding going into the expansion of bureaucracy rather than into front line services*"... "*Changes to the health and hospital system in Australia should be based on outcomes in the community, not on building bureaucracies*"⁶. In my view the reforms will facilitate greater quality and efficiency by assisting Local Hospital Networks and other organizations to achieve even greater outcomes than that achieved in the Victorian experience to date as outlined in section 3 below. Indeed, the reforms will directly impact on front line services. Thomson (2010)⁷ supports the Bill in its original form and opposes the amendment by the Coalition, highlighting

¹ Roxon, N (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Wednesday 29 September 2010 pgs 73-75.

² Hall, J (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Monday 25 October 2010 pg 86-87.

³ Dutton P (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Monday 25 October 2010 pg 79.

⁴ Antioch KM, Jennings G, Botti M, Chapman R and Wulfsohn V (2002) Integrating cost-effectiveness evidence into clinical practice guidelines in Australia for Acute Myocardial Infarction. *European Journal of Health Economics* 3:26-39

⁵ Dutton P (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Monday 25 October 2010 pg 80, 81.

⁶ Baldwin R (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Monday 25 October 2010 pg 84.

⁷ Thomson, C (2010) *House of Representatives National Health and Hospitals Network Bill, 2010 Second Reading Speech* Monday 25 October 2010 pg 82

progress on the Central Coast of NSW in establishing several reforms including a new local hospital network to be run locally. His constituents have emphasized they want a such as network and not one that is part of the Sydney or Hunter.

2. National Forum on Safety and Quality in Health Care: October 2010 Media Reports

Braithwaite (2010)⁸ is concerned that the Federal Government's health reform is very top-down and it will take two to three years before there are networks of hospitals caring for patients in a more focussed way. He prefers a bottom-up approach. Braithwaite (2010)⁸ speaks at the upcoming National Forum on Safety and Quality in Health Care in Canberra hosted by Australian Council on Health Care Standards, ACT Health and Australian Commission on Safety and Quality in Health Care. In contrast, I believe that the National Health Agreements (2009), related National Partnership Agreements and the National Health and Hospitals Network Agreement (2010) all provide considerable scope for both a bottom up and top down approach, with excellent potential to improve quality, health outcomes and efficiency. *The local governance processes of the hospital network structures and Medicare Locals within the framework of an Activity Based Funding processes represent excellent Evidence Based Policy.* The synergies of both a 'bottom up' and 'top down' approach would be further enhanced by Australian Commission on Safety and Quality in Health Care and the National Health and Medical Research Council (NHMRC) working together, with the provision of national safety and quality standards, guidelines and indicators, making major contributions to the work of the Local Hospital Networks, Medicare Locals and other health institutions. Further, quality and efficiency may be further enhanced through collaboration with the proposed *State Centres of Evidence Based Medicine, Health Services and Workforce Redesign* and *International Centre for EBM and Health Economics.*

Braithwaite (2010)⁸ highlights that Dr Jan Vesseur, Health Inspectorate of The Netherlands and a speaker at the National Forum, believes that a reason that the Netherlands is one of the safest health care systems is due to its capacity to stop a doctor practicing if he/she has an unacceptable error rate. Braithwaite (2010)⁸ further argues that blaming and punishing doctors are 'not a recipe for improvements'. He concludes that individuals working together effectively in partnership is the key. I agree with Braithwaite's view. In the experience of two large Victorian Hospital Network's there have been improvements in both quality and efficiency where EBM implementation approaches have facilitated effective collaboration in partnerships through the work of Clinical Teams and EBM Teams reporting to Steering Committees to oversight the work of developing local quality instruments such as clinical pathways, clinical protocols and management plans. Further, clinical opinion leaders take ownership the process and effectively redesign the health service delivery. Feedback of performance in a non-threatening environment is used to determine improvement mechanisms.^{4 9 10 11 12 13} Section 3 below shows that the national rollout of the approach used in Victoria could result in cost savings of \$273.5m per annum or \$1,367.6m over five years. The approach was very cost effective.

The approach implemented across two large Victorian hospital networks was based on insights obtained from an extensive study tour undertaken by Dr Antioch in *The Netherlands* on mechanisms to implement clinical practice guidelines and clinical and economic evidence at the point of care. This study tour was undertaken at Erasmus University at the Institute of Medical Technology Assessment (IMTA) and provided the basis of the successful approach implemented in Victoria, along with the internationally recognized methodologies of the National Health and Medical Research Council in this area⁴.

3. Mid Year Economic and Fiscal Outlook (MYEFO)

Tingle (2010)¹⁴ highlights that the Federal Government is examining new budget cutbacks to be included in the November 2010 Mid year budget review to help fund \$2.4b of spending commitments in the face of a deteriorating global economic outlook and the concern of a double dip global recession following the G20 Finance Ministers meeting in Korea in October 2010. There are also pressures to revamp spending on some programs rolled out as part of the \$42b nation building package. Savings included in the MYEFO usually released in November and January will assist clear the decks for the 2011 May budget which will also be impacted by the high Australian dollar which may hit company tax revenues (Tingle 2010)¹⁴. The \$2.4b included \$1.8b for the Health and Hospitals Fund (HHF) and it is unclear how much of the HHF will fall into either the 2010-11 or 2011-12 financial year. The bids for cash from the regional hospitals from the fund are not even due to be handed to government until December, 2010 posing a planning problem as the government puts the mid year review together. The view has been expressed at last week's Senate Estimates Committee hearings that to meet the government's policies of offsetting all new spending portfolios, saving

⁸ Braithwaite, J (2010) "Restructuring is not the answer" *The Weekend Australian*, Health Weekend Professional Section October 23-24. Pg 11.

⁹ Antioch KM, Chapman R and Elliot B et al (2001) Cost effective clinical pathways at The Alfred hospital: International lessons from Bayside Health, Australia *Australian Health Review* 24(4):21-27.

¹⁰ Western Health (2006) Thumbs up for Evidence Based Medicine. *Western Weekly*, page 3.

¹¹ Antioch KM (2009) *Intergovernmental Agreements: Update on Reforms on Risk Adjustment of Health Funding and Evidence Based Medicine (EBM) Implementation (submission to COAG)* <http://www.health.gov.au/internet/nhhrc/publishing.nsf/Content/297-interim>

¹² Antioch, KM (2010) *Submission to the Senate Finance & Public Administration Inquiry into COAG Reforms Relating to Health and Hospitals* http://www.aph.gov.au/Senate/committee/fapa_ctte/coag_health_reforms/submissions.htm (submission 20)

¹³ Antioch KM (2008) Integrating Economic and Clinical Evidence, Guidelines and Equity into National Regulation and Financing: Reforms for the Australian Health Care Agreements (AHCA): 2009 and Beyond. Paper provided to *Council of Australian Government (COAG), other State and Federal stakeholders and NHHRC*. <http://www.health.gov.au/internet/nhhrc/publishing.nsf/Content/297-interim>

¹⁴ Tingle, L (2010) "Labor Targets Spending Cuts" *Australian Financial Review* 25 October, pgs 1 and 6.

commitments should be given priority and resolved in the context of the 2010-11 MYEFO (Tingle 2010)¹⁴. Given the government's concern to enable cost savings, then the estimated State/Territory and National cost savings per annum of \$273.5m and over five years of \$1,367.6m, estimated based on the Victorian experience may be instructive, especially given the Australian Commission on Quality and Safety in Health Care could further enhance these potential cost effective gains. Table 1 below shows these results. Further details on the calculation of these cost savings are shown in Antioch (2009)¹⁵. The costs are modeled in reductions in adverse events and length of stay found in evaluations of the Victorian hospital network experience and were presented by Dr Antioch at the National Hospital Reform Summit in 2010 and the National Hospital Performance Measurement Summit in 2009.

Table 1: Hospital Cost Savings by State/Territory (Annual and 5 years)¹⁶
Implementation of State/Territory Centres of Evidence Based Medicine, Health Services and Workforce Re-design¹⁵

State	Annual Cost Savings (\$)	5 Year Cost Savings (\$)
NSW	85,797,730	428,988,649
Victoria	77,119,721	385,598,603
Qld	46,042,088	230,210,442
WA	26,458,577	132,292,886
SA	22,923,166	114,615,830
Tas	5,701,114	28,505,570
ACT	4,446,008	22,230,038
NT	5,035,507	25,177,534
National	273,523,910	1,367,619,552

The work of the Australian Commission will assist in the work of the proposed State and International Centres and the government could further consider these initiatives in the context of the MYEFO given the need for cost savings. This could be a consideration for the government's deliberations for the Health and Hospital Fund and expenditure for regional hospitals and related planning.

4. Related legislation: Federal Financial Relations Act

The reintroduction of amendments to the Federal Financial Relations Act which legislates payment changes to health funding arrangements providing the Commonwealth with the primary responsibility for funding Australian hospital funding¹⁷ is strongly endorsed. This along with the new hospital network governance, Medicare locals in the context of Activity Based Funding (ABF) are considered excellent Evidence Based Policy and are central components of the National Health and Hospitals Network Agreement (2010).

5. Recommendation

That you note the above, in conjunction with my previous submission to the Committee under the 42nd Parliament.

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 Health Economics and Funding Reforms
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 Member, Standing Scientific Committee, International Health Economists Association
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Dr Antioch is Principal Management Consultant Health Economics and Funding Reforms. She held two ministerial appointments, as the health economics member, to the Principal Committees of the National Health and Medical Research Council (NHMRC) for six years to 2009. These were the Health Advisory Committee and National Health Committee, which approved Clinical Practice Guidelines and translated evidence into clinical practice. Dr Antioch worked as part of Senior Management of Bayside Health (now Alfred Health) in Melbourne until 2005 where she led the translation of evidence into clinical practice across three tertiary, community and rehabilitation hospitals, involving inter alia, aged care. She led similar work across Western Health Network until 2007. She presented the model of EBM translation across Australia in 2007, sponsored by the Australian Health Care and Hospitals Association, in the context of the renegotiations of the Australian Health Care Agreements and briefed COAG and other Federal/State stakeholders on the recommendations arising from the national consultations and recent national forums. She also led the risk adjustment reform of Activity Based Funding (ABF) in Victoria for the Victorian Government. She previously worked on a Canadian Royal Commission on Health Care and Costs on hospital and aged care reforms and for Australian Federal and State Governments.

¹⁵ Antioch KM (2009) *Intergovernmental Agreements: Update on Reforms on Risk Adjustment of Health Funding and Evidence Based Medicine (EBM) Implementation (submission to COAG)* <http://www.health.gov.au/internet/nhhrc/publishing.nsf/Content/297-interim>

¹⁶ Costs shown in 2006 prices.

¹⁷ Tingle, L (2010) WA still defiant on hospital deal. *Australian Financial Review* 26 October 2010 pg 6.