



CATHOLIC HEALTH Australia

31 August 2011

Christine McDonald
Secretary
Legislation Standing Committee on Finance and Public Administration
The Senate
PO Box 6100
Parliament House Canberra ACT 2600

by email fpa.sen@aph.gov.au

Dear Ms McDonald

Inquiry into the National Health Reform Amendment (Independent Hospital Pricing Authority) Bill 2011

Thank you for your letter of 26 August 2011 inviting Catholic Health Australia's response to the terms of reference of the Inquiry into the *National Health Reform Amendment Bill*. In the short time available to us prior to the close of written submissions, Catholic Health Australia has had a brief opportunity to consider the *Bill*. We support the *Bill*, and believe it should be passed subject to modest refinement that we detail below for the benefit of the Committee's Inquiry.

A) National efficient price, not a national agreed payment

s131(1)(a) of the *Bill* will create a new mechanism to determine the national efficient price for public hospital services. This creation of a new objective national assessment of public hospital costs may over time inform where health system funds can be most efficiently applied. S131(1)(d) allows for this national efficient price to be adjusted to reflect variations in the delivery of public health care across the Nation. For these reasons alone, the *Bill* should be supported as benefiting the future planning of resource allocation across the Nation's public hospital system.

The *Bill* needs to be understood for what it does not do; it does not set a nationally agreed public hospital payment. The Council of Australian Governments agreement from which this *Bill* arises stipulates the actual amount paid to public hospitals will be determined by State and Territory governments through Service Level Agreements. It is therefore understood that where as the Authority will determine a national efficient price, it will remain a responsibility of State and Territory Governments to determine the actual amounts paid for hospital services.

.../2



This gives rise to circumstances where there will be certainty as to how much of the efficient price the Commonwealth will contribute, but there may not be certainty on how much the States or Territories will actually contribute. Ideally, the Council of Australian Governments agreement would have secured a commitment that States and Territories would provide the total amount of the efficient price not funded by the Commonwealth.

B) Impact of the Bill on non-government hospitals

The *Bill* may have an (indirect) impact on private hospital funding. Private hospitals and health funds will have regard to the objective assessment of many components of hospital costs in their own funding negotiations. We do not foresee adverse impacts of private hospital and health fund negotiations being informed by assessment of hospital costs by way of the operation of the Authority.

The creation of a national efficient price gives rise to the potential for the cost of delivering comparable hospital services in government owned and non-government owned public and private hospitals to be properly compared. Over time, government purchasers of hospital services will be able to make informed decisions as to where the most efficient service can be obtained from. In order for the Authority to enable a genuine comparison of costs between government owned hospitals and non-government owned hospitals, the definition of what a national efficient price comprises will need to be informed not just by practices of government owned hospitals, but also by non-government owned hospitals.

The process to develop a definition of a national efficient price is not, and does not need to be, dealt with in the *Bill*. The Authority will, however, be most effective if it ensures involvement of non-government hospitals and those skilled in their operation in both the governance and working of the Authority. s144 of the *Bill* might be enhanced by requiring the appointment of members skilled and experienced in non-government hospital service provision, and we make this recommendation to the Inquiry.

The *Bill* does not define a public hospital, and does not give recognition to the manner in which Catholic hospitals deliver public services. Some Catholic public hospitals, such as the Brisbane Mater, are in fact by operation of state statute private in their nature but public in their service orientation. If the intent of the *Bill* is to empower the Authority to determine an efficient price for every Australian hospital identified in practice as being public, the *Bill* should require the Authority to have regard to the different efficient price components that operate in (at least) the 21 public hospitals operated by Catholic services. To this end, s131(3)(d) should be amended to require the Authority to have regard to the cost components of delivering public hospital services by non-government hospitals.

C) Transparency

s131(1) (i) of the *Bill* will require the Authority “to call for and accept, on an annual basis, public submissions” in relation to the Authority’s functions as detailed in s131. This public submission process is welcome, as it will place on the public record the pricing information and views of all parties seeking to inform or scrutinise a decision on the setting of an efficient price by the Authority.

In the same section of the *Bill*, s131(1)(i) gives to the Authority a power to make confidential advice to governments on future costs. It is not clear as to why provision for the making of confidential advice is required. Ideally, the workings of the Authority would be public. The publication of details on the future costs of health services would inform public debate and enable service users to scrutinise if funders of health services were providing sufficient funds to enable the smooth delivery of services.

D) Recommendations to the Inquiry

Catholic Health Australia proposes the Inquiry recommend to the Senate that it pass the *Bill* subject to the following amendments being made:

1. That a new s144(4)(e) be inserted reading “the provision of non-government owned hospitals.”
2. That s131(1)(i) be deleted.
3. That s131(3)(d) be amended to read “the range of public hospitals and non-government hospitals providing public health services and the variables affecting the actual cost of providing health care services in each of those hospitals.”

Because the terms of reference of the Inquiry focus on the legislation that is before the Senate and not the ultimate operation of the Authority, we have not in this submission detailed our views on the challenges that the Authority will face in first reaching a workable definition of what an efficient price should comprise, and then how well the Nation’s public hospital system will be able to inform the annual determination of the setting of that efficient price. A deficiency of the *Bill* is the general exclusion of the participation of non-government hospitals in the design of the Authority and its proposed workings. Catholic Health Australia would welcome the opportunity to expand upon our views that the Authority’s workings would be enhanced by it facilitating active participation of non-government hospitals.

Thank you for the opportunity for Catholic Health Australia to contribute to the work of the Inquiry. I would be happy to make myself available to appear before the Inquiry if to do so will help inform its findings.

Yours sincerely

Martin Laverty
Chief Executive Officer