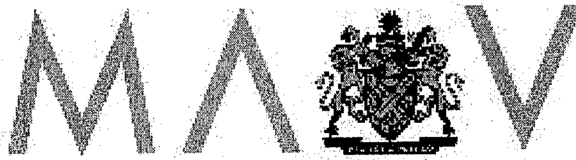
SUBMISSION NO. 33
AUTHORISED: 25.05.05



Municipal Association of Victoria

Submission to the Parliamentary Inquiry into Health Funding

May 2005

This submission has been prepared by the Municipal Association of Victoria (MAV) in response to the invitation from the Standing Committee on Health and Ageing.

The MAV is the statutory peak body for local government in Victoria, representing all 79 municipal councils within the state. This submission has been prepared by MAV staff following consultation with councils across the state.

Whilst this submission aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils, who have also been encouraged to make submissions directly to the Committee.

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MUNICIPAL ASSOCIATION OF VICTORIA

1.0 Executive Summary

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide comment on the current health funding arrangements in Australia from the perspective of local government and to contribute to improvements in the delivery of high quality healthcare to all Australians.

Local government makes a significant financial contribution to health services nationwide. For example in 1999-2000 the Australian public sector spent $931m on public health and of this $225m or 24% was spent by local government.

Victorian local government has two main functions in relation to health services: service delivery in terms of provision, coordination or facilitation of services; and advocacy, including research, lobbying and leadership on behalf of local communities.

Service Delivery

There are three areas of health service delivery in which local government in Victoria is heavily involved and in which funding arrangements require improvement and clarification:

- Home and Community Care (HACC);
- Immunisation; and
- Maternal and child health.

In all three areas, local government delivers the health service on behalf of another level of government and in all three areas the current funding arrangements result in a significant financial contribution from local government. While local government as a sector has generally been willing to provide, coordinate or facilitate these health services, it is important that council involvement in these activities does not become a financial burden considering the limited capacity for local government to raise revenue.

The MAV would support a more clearly defined and negotiated partnership model of funding and service delivery for these health services. A partnership approach for the funding for health service provision could follow the example of negotiated Service Agreements that have been used by the State and Local government in Victoria to facilitate local government implementation of amendments to the *Victorian Tobacco Act* through State Government funding (see *Section 3.4)*.

Advocacy

Local government conducts research about and advocates for improvements to a range of community facilities and services including those related to health. In a number of Victorian regions, the Australian health system does not ensure an adequate number of health professionals to serve the community. In these situations local government may have an advocacy role in attempting to secure health services for their region and improve funding strategies for these services.

The MAV would suggest that while the Federal Government has acknowledged these issues in the form of the *Rural and Remote General Practice Program*, attracting

health services to rural, remote and disadvantaged regions continues to be problematic and may require other strategies. As the level of government closest to communities, local government is often accountable to communities when funding of health services is inadequate in their region.

Some councils have conducted research into the health needs of their community in order to build a clear understanding, in partnership with local service providers, of the complexity of demands on the health system at a local level.

The involvement of the Australian Local Government Association (ALGA) in the National Public Health Partnership is also seen to provide an important opportunity for local government to contribute to the improvement of health services to Australians in partnership with the Commonwealth and state/territory health authorities.

Improving Health Funding Arrangements

This submission outlines the current roles and responsibilities of local government with regards to health service provision, the current funding arrangements for these services, and recommendations as to how funding arrangements could be improved through fairly negotiated Service Agreements in order to create more a more sustainable system of health funding for, Home and Community Care, Immunisation and Maternal and Child Health.

2.0 Roles and Responsibilities of Local Government

Local government undertakes a wide range of roles in the provision of primary health services including planning, advocacy, service provision, and facilitation. There are three areas of service provision in particular in which local government in Victoria is heavily involved and hence has a strong interest in the funding arrangements:

- Home and Community Care (HACC);
- Immunisation; and
- Maternal and child health.

2.1 Home and Community Care (HACC)/Aged Care

Local government is the largest provider of Home and Community Care (HACC) services in Victoria. The HACC services provided by local government encompass Home Care, Personal Care, Respite Care, Property Maintenance, Delivered Meals, Assessment and Care Management and Service System Resourcing.

Currently there are 17 separate Commonwealth funded programs providing community-based care services. In addition, each State funds many more separate programs requiring separate reporting and administrative arrangements. This results in a fragmented service which is unevenly distributed and difficult to access by service providers and members of the community.

The MAV is pleased that the Commonwealth Government has addressed some of the issues pertaining to a lack of integration between community care programs by

introducing a three-tiered care system. Further improvements to funding and accountability arrangements could greatly improve the quality and quantity of services provided to Victorian communities.

2.2 Immunisation

Local government in Victoria delivers immunisation services to the community on behalf of the Federal and State Governments. Victorian councils have proven to be very good agents for the delivery of immunisation programs, enabling Victoria to achieve a high rate of infant/preschool immunisation at significantly lower cost to the Federal government than private providers. Local government currently provides over half of all preschool immunisations and nearly all school-age immunisations given in Victoria and contributes to raising the importance of immunisation in local communities.

Under the Victorian *Health Act 1958* councils are responsible for "coordinating the immunisation of children living or being educated within the municipal district". Councils in Victoria have willingly supported this involvement for a long period of time as an important public health service to the community.

Councils deliver immunisation services in two main ways, with each having its own distinct mode of delivery:

- *Infant/preschool immunisation programs* that are mainly delivered by councils holding community clinics and/or providing vaccinations as part of the local Maternal and Child Health Service (councils receive a subsidy from the Australian Government from the Australian Childhood Immunisation Register and top up funding from the Victorian Government)
- *School-age immunisation programs* that occur by councils organising visits to schools to immunise those students not previously immunised by other providers such as GPs (councils receive a subsidy from the Victorian Government through the Department of Human Services).

MAV analysis of the cost of Victorian Local Government Immunisation Services shows that, on average, councils contribute over 50% of the cost of delivering preschool immunisations and 30% of school age immunisations.

In 2004, the Victorian Government provided increased funding to the sector to address the quantum of revenue councils contribute to this key community service. While this funding will help to redress local government's financial liability for this service, increased funding is required for the service to be provided on a full cost recovery basis.

2.3 Maternal and Child Health

Victoria's Maternal and Child Health (M&CH) service is provided free of charge to all Victorian families with children aged 0-6 years. Key features of the M&CH service are child health monitoring and a focus on maternal health and wellbeing; early identification, intervention and referral for health concerns; health promotion and education; and parenting support.

This locally based service is funded jointly by State and local government through annual service agreements for each local government area. Funding from State and local government enables councils to provide a highly qualified maternal and child health nurse to visit every newborn child from birth. This is an essential community and public health service, as required under the *Victorian Health Act 1958*. The MAV works in partnership with the State Government on the policy directions, funding and continuous improvement for the M&CH service in conjunction with the range of early childhood services available to families.

In 2003-04, the Department of Human Services and the Municipal Association of Victoria undertook the Maternal and Child Health Service Improvement project. This project has culminated in the development of the Future Directions for the Maternal and Child Health Service, outlining the way forward for the Maternal and Child Health Service to strengthen its contribution to the improvement in health, development and well-being outcomes for young children and their families.

Funding arrangements for M&CH services have been significantly improved in recent years. The maintenance of current funding arrangements will be essential in ensuring that the objectives of the Future Directions can be met, and that a high quality universal service continues to be provided to Victorian communities.

3.0 Funding Arrangements for Local Government Delivery of Health Services

Local government has a significant interest in the funding arrangements for health services. Current arrangements whereby local government is the service provider or facilitator of health services has often resulted in a significant expense to councils when funding from other levels of government has not equalled the actual cost of provision.

The current funding arrangement for the three major health services in which local government is involved are as follows:

3.1 Home and Community Care – HACC funding provided to Victorian agencies by Commonwealth and State Government is based on a funding formula of matched contributions plus unmatched State Government funding. The matched contributions are based upon a 60% Commonwealth / 40% State commitment. In addition the State Government also contributes an unmatched contribution. The allocation of funding is a State Government responsibility.

Local government has in practice made a significant financial contribution to the funding of HACC services. According to the Victorian Auditor-General, between 2000-2003 local government contributed at least $129 million of its own revenue to subsidise the cost of HACC services. Victoria is the only state in Australia where local government acts as a major financial contributor to the HACC program.

Funding for community care has increased in recent years but has not been adequately indexed and is falling behind the real cost in providing care services. While the total of HACC funding from other spheres of government has kept pace with growth in Commonwealth revenues and grown faster than State revenues, it is still lower than the growth in demand for HACC services and carer wages. As the

Australian population ages, demand will continue to rapidly increase. Until recently additional demand has been satisfied by an increasing local government contribution. However, local government does not have access to a revenue stream that is growing fast enough to keep pace with demand.

The commitment and contribution of Victorian councils to the development of HACC services has added significant value to the quality, range and level of services provided, and also operates as an integrated HACC service model. The MAV considers that there is considerable scope to explore new funding models for the various HACC programs.

3.2 Immunisation - Local government in Victoria delivers immunisation services to the community on behalf of the Federal and State Governments. Federal and State Governments provide subsidies to local government per encounter. These subsidies have been static for a long period of time and have been shown to be significantly lower than the actual cost of providing immunisation services.[1]

A study conducted by the MAV in April 2004 showed that the unit costs per council immunisation encounter were $22.70 for infant/pre-school children and $11.60 for school-age children. The subsidy from ACIR and the Victorian Government to councils amounts to approximately $11 for preschool immunisations and $8 from the Victorian Government for school-age immunisations.

While the low cost of local government's service is providing great value to the other levels of government, the sustainability of current arrangements is under threat due to the lack of relationship between subsidies provided and the real cost of providing the service. These costs are growing due to increasing public expectations about quality control and public liability/risk management.

When the Federal Government introduces new vaccines to existing schedules vaccinations, this cost is also borne by councils. Local government is funded by the immunisation visit or encounter, not the number of injections dispensed. This results in the Federal Government effectively increasing the number of injections provided at no cost to themselves and councils bearing the cost in terms of additional time needed to give the injection and provide information to parents about the new vaccine.

Victorian councils are committed to continue providing this efficient and universal service, however this will require more equal partnership and cost sharing with the Federal and State Governments. Unless the current subsidy arrangements are reviewed and improved to reflect the real cost of service provision, local government's ability to continue its low-cost universal service will be severely undermined.

3.3 Maternal and Child Health – M&CH Service is funded jointly by State and local government through annual service agreements for each local government area. Funding from State and local government enables councils to provide a highly qualified maternal and child health nurse to visit every newborn child from birth.

[1] Encounter refers to a visit where one or more vaccinations are given. The Federal government subsidy is based per encounter, rather than per individual injection.

Evidence collected by the MAV in the past suggested that an increasing proportion of the M&CH service was being funded by local government as consumer demand for the service was greater that the client contact visits funded by the Department of Human Services. However, the funding model for M&CH services has been significantly improved over the past 3 years. Under the new arrangements State and local government jointly agree on the cost of service provision and evenly share the cost of providing the universal service through service agreements. This model is very similar to the MAV's preferred funding model which is outlined in *Section 3.4.*

3.4 Preferred Funding Model

Partnership Approach – Negotiated Service Agreements

Current funding arrangements in these three areas are resulting in significant local contributions to programs that are the responsibility of another level of government. Considering local government's limited ability to raise revenue this can have significant implications for council finances and therefore local government's ability to participate in the provision of health services to communities.

A successful funding arrangement has been achieved in Victoria for the implementation of amendments to the *Tobacco Act,* which illustrates how local government can provide a service on behalf of another level of government that is satisfactory for both parties. The result is that councils are adequately resourced and supported to enforce provisions of the Tobacco Act and the State Government achieves its aims in ensuring that its anti-smoking legislation is systematically implemented across Victoria. Councils negotiate each year with the State Government collectively via the MAV over the activities to be undertaken by councils and their agreed cost.

Local government is funded for agreed outcomes that local government has the capacity to deliver. Most importantly, local government is consulted about its capacity to provide these enforcement services. This process of service agreements that are regularly updated and negotiated with local government as a sector could be appropriate for the delivery of health services as has been recognised in the new funding arrangements for Maternal and Child Health Services.

Establishing the same funding model for health services as that used for the implementation of anti-smoking legislation would require precise costing of the delivery of health services. Analysis has already been conducted by the MAV in order to gain a close estimate of the unit costing for immunisation services and HACC meal delivery. Further research in partnership with other levels of government would be required to ensure a fair and agreed funding arrangement for health services using the negotiated Service Agreement model.

4.0 Accountability to the Community – Local Government Advocacy for Health Services

The other central role played by local government in relation to health services is in advocacy for local communities. As the level of government closest to the

community, local government is often held accountable for inadequacies in regional health service provision.

An example of this kind of advocacy can be seen in Victoria where the Western Region's Mayor and CEO's forum intend to advocate for improvements that will benefit the wellbeing and health outcomes for people living in the west of Melbourne in response to community demand. This group explicitly acknowledge the role they play in ensuring the availability of accessible and appropriate medical and ancillary services.

The Australian Local Government Association (ALGA), the federation of state and territory local government associations including the MAV, is also a member of the National Public Health Partnership. This partnership provides an inter-governmental framework between the Commonwealth, state/territory health authorities and ALGA to protect and improve the health of Australians. This partnership provides an important forum in which to discuss funding arrangements between different levels of government for the provision of public health services.

5.0 Sustainability of Funding Arrangements Between Different Levels of Government for Health Services

As previously noted, if the current funding arrangements for immunisation and home and community care continue, local government's ability to continue to delivery these services will be undermined. The move to service agreement arrangements for Maternal and Child Health services improves the likely sustainability of this program.

The sustainability of council involvement in health services has been threatened due to a number of factors. Demands on council budgets, the increasing cost of service provision, and static subsidies all mean that councils are finding it increasingly difficult to provide health services. Five cumulative factors threatening the viability of local government's involvement are outlined below:

Councils Bear Costs of Excess Demand – The requirement for local government to contribute financially to the provision of health services above the agreed level is generally related to the difference between the subsidies provided and the actual cost of service provision. As the service provider at the front end of service delivery, councils end up meeting funding shortfalls caused by unexpected demand that are not funded by other tiers of government.

Costs are Increasing – The cost of providing health services has increased in recent years due to higher charges for delivering the service, including labour costs and capital items, and increased community expectations about the quality of services. Risk management and public liability issues have also increased the time and resource commitments required, thereby adding to the costs incurred by councils. While most programs are indexed to CPI, given the high labour intensity of these services, the Wages Cost Index may be a more appropriate cost escalator.

Increasingly Complex Programs – Changes to health programs, such as additions to the list of free vaccines for immunisation services and changes to HACC programs, can result in increased demands on councils that are not accounted for in funding arrangements. This can necessitate an increased level of information to be communicated to the community that may require an increased time and resource commitment. Additional training may also be required for staff.

Subsidies Have Remained Static – Subsidies for some programs have remained static for a long period. For example the ACIR subsidy for immuisation has not changed in nearly 10 years. In many programs there is no adequate mechanism in place to review funding subsidies to ensure they bear some relationship to the actual cost of providing the service.

5.1 Sustainability of Home and Community Care Arrangements

The funding arrangements for the provision of HACC services as they currently stand are potentially unsustainable from the perspective of local government. There are a number of indicators which suggest that the funding required for Home and Community Care services will increase dramatically due to Australia's ageing population.

Although it has been a controversial question, the Productivity Commission's report *Economic Implications of an Ageing Australia* concluded that an ageing population will place significant additional pressure on future health expenditure. Government expenditure per person is significantly higher for older people than younger people.

The Victorian Government has projected that by 2021 Victoria will have a 54% increase in the number of people aged between 70-84 years. Those aged over 80 years are projected to increase by 71% over the same period. The Victorian Auditor General has reported that "Given this anticipated strong growth in the portion of the Victorian population to 2021, there will be significant demand pressure for personal care and home care services, and considerable growth in the total cost of the HACC program."

Statistics from research conducted by the National Centre for Economics and Social Modelling (NCESM) for Carers Australia also provides evidence to support he expected increase in demand and cost of the HACC program. An NCESM report states that in thirty years time it is projected that in Australia:

- The number of aged persons likely to require assistance because of a severe or profound disability will rise approximately 160 per cent (from 539,000 to 1,390,000);
- The number of principal carers for persons needing informal care will decrease by 40 per cent (from 57 to 35 per 100 persons); and
- There will be 573,000 frail older Australians living in the community without a primary (unpaid) family carer.

Victoria will also have an increasingly diverse aged population with rapid increases in the number and proportions of older people from culturally and linguistically diverse (CALD) backgrounds, largely due to the impact of adult post war migration. There are additional costs associated with ensuring responsive and appropriate services to diverse communities.

On this basis is it vitally important that issues related to health funding arrangements for HACC services are resolved in the near future to ensure that Victorian municipalities are not unreasonably burdened.

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6.0 Conclusions

The funding arrangements for health services are essential to ensuring that Australian communities are receiving consistent services of a high standard. Local government has a real interest in ensuring that their communities have access to appropriate health services and have in many cases lobbied other levels of government to ensure these services are made available.

In Victoria local government plays a central role in the provision of Home and Community Care, Immunisation, and Maternal and Child Health services on behalf of other levels of government. Clear and negotiated funding arrangements are important in ensuring the sustainability of these services.

Local government as a sector is generally willing to provide these health services to local communities provided they are adequately funded. Past experience has shown that local government has often contributed own source revenue to support extra demand on health services. This can have a severe impact on council budgets considering that local government has limited revenue-raising capacity.

The MAV supports the use of negotiated service agreements for health services which are pròvided by local government but funded either jointly or wholly by another level of government. The use of this model for Maternal and Child Health services is a significant move in this direction.