



Hon John Hill MP

Submission No. 117

AUTHORISED: 2/5/06 DM



Government of South Australia

06MHE/0835

Hon Alex Somlyay MP
Standing Committee on Health and Ageing
Parliament House
CANBERRA ACT 2600

Fax: (02) 6277 4844

STANDING COMMITTEE
28 APR 2006
ON HEALTH AND AGEING

Minister for Health
Minister for the Southern Suburbs
Minister Assisting the Premier in the Arts
45 Pirie Street
Adelaide SA 5000
GPO Box 2555
Adelaide SA 5001
DX 273
Telephone (08) 8207 1855
Facsimile (08) 8207 1950
Minister.Health@health.sa.gov.au

Dear Mr Somlyay

Thank you for your recent letter to the Premier of South Australia, the Hon Mike Rann MP, regarding South Australia's interest in providing a submission to the House of Representatives' Inquiry into Health Funding. As I have responsibility for the health portfolio the Premier has asked me to respond on his behalf.

I am pleased to submit the enclosed Submission, on behalf of the South Australian Government, for the Committee's consideration. I draw your attention to the South Australian Government's commitment to health system reform and our achievements in this area to date. I would also like to stress our willingness to work cooperatively with the Commonwealth in progressing health reforms for the benefit of all Australians.

I believe the Committee will be visiting Adelaide on 2 May 2006 and Department of Health representatives Dr Richenda Webb and Ms Heather Parkes will be on hand to provide information to the Committee on creating more university placements for medical students and ways to strengthen the interface between the health and education sectors.

Thank you for the opportunity to provide input to the inquiry.

Yours sincerely

JOHN HILL

Date: 27.4.06
Enc:

+61 8 82071950

HOUSE OF REPRESENTATIVES**STANDING COMMITTEE ON HEALTH AND AGEING
INQUIRY INTO HEALTH FUNDING****SOUTH AUSTRALIAN GOVERNMENT SUBMISSION****Introduction**

The South Australian Government is pleased to make a submission to this House of Representatives Inquiry into Health Funding. This Inquiry is focussed on how the Commonwealth Government can take a leading role in improving the efficient and effective delivery of high quality health care to all Australians. From our perspective, sustained improvement in the efficiency, effectiveness and quality of health care requires substantial health reform, and therefore this Inquiry has to be about the role the Commonwealth Government needs to play to progress genuine health reform in Australia, in partnership with the South Australian Government, private and NGO providers and the community.

There can be no doubt about the need for reform. The current 'system' is characterised by multiple public and private funders, rigid program boundaries and funding mechanisms, risk transfer and claims of cost-shifting and limited joint planning of services based on need. Decisions made in Commonwealth programs about the number of GPs and the services Medicare will pay for, or the number of aged care places, have significant impacts on State funded hospital and primary care services.

The Terms of Reference for this Inquiry include examining the roles and responsibilities of different levels of government for health and related services. South Australia believes that incremental change is needed to deliver the reform benefits which are required and that now is the time to progress real and sustained reform rather than just talk about it.

South Australian Government Commitment to Reform

The South Australian Government's credentials on health reform are strong. The then Health Minister and officials played active parts in the important work in 2002 on identifying opportunities for improvement in the lead up to the negotiation of the current Australian Health Care Agreement 2003 - 2008. The overwhelming message from this work was that the fragmentation of the health system imposed artificial boundaries on consumers and health professionals who need to manage episodes of care in a flexible and coordinated manner, and that this lack of integration was unsustainable, expensive and detrimental to health outcomes (AHCA Reference Groups Report, 2002, p3)

+61 8 82071950

Subsequently Ministers agreed a significant reform agenda, but when the Commonwealth tabled its offer for the 2003 - 2008 Australian Health Care Agreement, the impetus for reform faltered. In June 2003 State and Territory Health Ministers said:

"...offer does not in any way address the reform agenda developed by industry experts and mandated by the Australian Health Ministers' Conference and aimed at ensuring service delivery is focussed on the patient and supported by appropriate funding arrangements." (AHMC, 13 June 2003).

One of the first actions of the South Australian Government on coming to office in 2002 was to establish the Generational Health Review. The Review report can be found at:

<http://www.healthsa.sa.gov.au/generational%2Dhealth%2Dreview/>

The Government has accepted its recommendations and determined that the focus for health reform in SA will be on:

- meeting the needs of population and communities, rather than on specific services;
- ensuring integrated and sustainable services with a particular focus on workforce planning and work redesign;
- primary health care and addressing chronic disease;
- greater attention to prevention and early intervention services; and
- improvements in Aboriginal Health.

Emphasis is also placed on establishing constructive partnerships with communities, other providers and other government agencies, particularly those able to influence some of the determinants of ill-health in the community.

As illustration of our commitment to these reforms, the South Australian Government has:

- undertaken significant governance reform in metropolitan hospitals and health services by abolishing a range of separate hospital and health services and creating 3 Regional Health services responsible for addressing the health needs of their communities. These boards have been developing productive relationships with other providers, GP Divisions, and the community in their planning and service development roles. In country SA, plans are progressing to create a single country board with responsibility for all state-funded health services.
- implemented metropolitan hospital and health services governance reform, enabling the acceleration of primary health care reform and expansion of the State's primary health care initiatives through the implementation of Primary Health Care Networks. These Networks are based on partnerships with GP Divisions and other providers to effect an integrated, systematic approach to the prevention, early intervention and holistic management of chronic disease for local communities.

+61 8 82071950

- made substantial investment in primary health care reform including:
 - the Demand Management and Substitutive Care Program, which has provided significant funding for multiple hospital avoidance strategies over recent years. This program is operating successfully in partnership with GPs, NGOs, residential care services and health services across the continuum of care, with a focus on GP and hospital Emergency Department referrals and hospital discharge care packages.
 - a commitment to establishing a number of "GP Plus Centres" which bring together a wide range of primary health care services including GP's and other community based services such as mental health, dental health and selected hospital outpatient services.
- provided significant additional funding for public health services, particularly hospitals, in order to ensure the sustainability of these services. The negotiation of the Australian Health Care Agreement (AHCA) in 2003 occurred in the context of an offer which represented a loss of \$75 million over 5 years and constant criticism by the Prime Minister and the then Federal Health Minister that the states and territories would not be trusted to make their fair contribution to the running costs of public hospitals. In fact, in the first two years of the current agreement, South Australia's cumulative own source funding on public hospital related services has increased by approximately 35 per cent. This is far in excess of the cumulative growth in Commonwealth grants to South Australia of approximately 9 per cent which is the growth rate required for the state to meet its matching obligations.

The Commonwealth's Commitment

Real health reform will only occur in Australia if the Commonwealth Government makes a real commitment and joins in partnership with the States and Territories. Further progress in health reform will require from the Commonwealth:

- commitment to participate in the many regional health planning and service development activities currently being undertaken, so that local solutions supported by communities and providers can be identified and implementation plans developed.
- agreement to pooling Commonwealth and State program funds in order to support the agreed directions arising from the joint planning work.
- willingness to consider some changes to program guidelines and associated funding rules so that, in conjunction with the relevant State expenditure, improved service arrangements and health outcomes can occur.

Significantly, this work needs to occur in the context of first meeting the health needs of individuals and communities by the provision of integrated services.

The South Australian Government acknowledges that there have been some limited successes in the past in joint Commonwealth/State cooperation.

+61 8 82071950

These include the Transition Care arrangements, the Aboriginal Primary Health Care Access Program and the rollout of HealthConnect. However, there is much more to be done cooperatively.

Priorities for Reform Activity

The priorities for this collaborative health reform in South Australia include:

- the interface between state funded primary health care services, Commonwealth funded general practice, and state funded public hospital emergency departments.
- the interface between acute care and aged care services, including patients in acute care beds in hospitals who are waiting for residential care places, expanded transition care, and improved community support services as an alternative to hospital admission or to support early discharge schemes.
- health workforce, particularly around education and training issues.

Recent COAG initiatives

South Australia strongly supports the national health initiatives announced by COAG at its February 2006 meeting as they start to take a true system approach to health service delivery.

The COAG initiatives demonstrate a significant commitment by the Commonwealth in terms of funding, and most importantly how the Commonwealth works with other jurisdictions to improve integration of service delivery. Working in partnership with states and territories, improving the interface between hospital and primary care services and continuity across health services at all levels are the key building blocks for improving service integration and coordination to achieve improvements in health services and the way they are delivered.

This commitment starts to address many of the reform issues considered essential by the South Australian Government including breaking down the rigid program boundaries and inflexible funding mechanisms, changing the current focus away from risk transfer and claims of cost-shifting and supporting joint planning and provision of services based on need. It is these reforms which will lead to the provision of better health services and outcomes to Australians rather than simply changing the pathways by which the Commonwealth funds health services in the states and territories. The latter approach may perpetuate rather than alleviate current "system" problems if not undertaken in the context of supporting broader system reform.

COAG also agreed that *"Commonwealth-State Specific Purpose Payments (SPPs) that significantly affect the health system should be reviewed prior to their renegotiation. The reviews are intended to identify any elements of SPPs that, if changed, could contribute to better health outcomes"* (COAG Communiqué 10 February 2006).

+61 8 82071950

South Australia supports any reviews of funding arrangements which would contribute to real health system reform. Such reviews should be undertaken in conjunction with all jurisdictions.

Other Issues in the Terms of Reference

The South Australian Government acknowledges that the Inquiry has other Terms of Reference relating to accountability, the private sector, and private health insurance. We acknowledge that these are important issues.

In relation to improving accountability, in our view, we need to address all health services, not just public hospitals and medical services, but importantly there has to be accountability for population health outcomes. There are many providers, with their different funding arrangements, responsible for delivering the wide range of health services (prevention and early intervention, treatment, rehabilitation, maintenance, residential care) in many institutional and community settings. In order to maximise the health outcome return from this investment substantial reform is required.

A strong private sector is essential for the good functioning of the health system. However, building this sector and supporting private health insurance should not be at the cost of sustaining a viable and comprehensive public health care sector to meet the needs of those who depend on it.

Conclusion

The South Australian Government believes that substantial and sustained health reform is necessary to improve the efficient and effective delivery of the highest quality health care to all Australians. Focussing on changes to funding mechanisms alone may only exacerbate existing system problems. The essential preconditions for such reforms are:

- commitment to work together towards reform goals.
- willingness to adjust program parameters and funding to support necessary reform efforts.
- preparedness to provide increased funding where necessary to support the reform activities.

The health reform initiatives arising from the February 2006 COAG meeting are a promising step forward in addressing these essential preconditions for reform and could be the basis upon which real reforms can be progressed. The South Australian Government is committed to play its part in this important national process to cooperatively progress real health reform for the benefit of all Australians.

April 2006