

CHAPTER 1

INTRODUCTION

Background to the inquiry

1.1 In July 1999, following widespread public concern about the state of the public hospital system, State Premiers and Territory Chief Ministers called on the Federal Government to establish an independent inquiry, preferably to be conducted by the Productivity Commission, into the health system. In response to the request, the Federal Government stated that it did not believe such a review would be productive. The Minister for Health and Aged Care noted 'Australia has an excellent health care system, which is widely regarded as the best universal access model in the world. The Federal Government is committed to Medicare. Under such circumstances it cannot see any useful purpose in spending 18 months reviewing a system it supports'.¹

1.2 The Senate subsequently agreed to establish an inquiry and on 11 August 1999 the matter was referred to the Committee for inquiry and report by 30 June 2000. The complete terms of reference are:

How, within the legislated principles of Medicare, hospital services may be improved, with particular reference to:

- a) the adequacy of current funding levels to meet future demand for public hospital services in both metropolitan and rural Australia;
- b) current practices in cost shifting between levels of government for medical services, including the MBS, pharmaceutical costs, outpatient clinics, aged and community care, therapeutic goods and the use of hospital emergency services for primary care;
- c) the impact on consumers of cost shifting practices, including charges, timeliness and quality of services;
- d) options for re-organising State and Commonwealth funding and service delivery responsibilities to remove duplication and the incentives for cost shifting to promote greater efficiency and better health care;
- e) how to better coordinate funding and services provided by different levels of government to ensure the appropriate care is provided through the whole episode of care, both in hospitals and the community;
- f) the impact of the private health insurance rebate on demand for public hospital services;

1 Minister for Health and Aged Care, 'Review of the Health System', *Media Release*, 5 August 1999.

- g) the interface between public and private hospitals, including the impact of privatisation of public hospitals and the scope for private hospitals to provide services for public patients;
- h) the adequacy of current procedures for the collection and analysis of data relating to public hospital services, including allied health services, standards of care, waiting times for elective surgery, quality of care and health outcomes; and
- i) the effectiveness of quality improvement programs to reduce the frequency of adverse events.

Conduct of the inquiry

1.3 The inquiry was advertised in *The Financial Review* on 27 August 1999, *The Weekend Australian* on 28 August 1999 and through the Internet. The closing date for submissions was originally 22 October 1999, although the Committee continued to receive submissions throughout the course of the inquiry.

1.4 The Committee received submissions and evidence from Federal, State and Territory Governments. The Committee also received submissions and evidence from individuals, health and consumer organisations, area health services, practitioners and peak organisations. Many organisations and individuals also provided additional written information to develop the issues raised in their submissions.

1.5 In order to improve its understanding of the issues facing public hospitals, the Committee sought publicly available information relating to the operation of hospitals and health services and requested copies of their the most recent annual reports. Most public hospitals and area health services responded to the request. The material proved a valuable resource for the Committee. The Committee has also utilised a range of published material to inform itself during the inquiry. A bibliography of the major reports and articles referenced by the Committee is at Appendix 3.

1.6 The Committee received 93 public submissions in total. In addition, the Committee received 6,739 postcards, letters and emails from all States and Territories expressing support for Medicare and the public health system. The list of submissions and other written material received by the Committee and for which publication was authorised is at Appendix 1.

1.7 The Committee held eight days of public hearings in Canberra (2 days), Adelaide, Darwin, Perth, Sydney, Brisbane and Melbourne. All but the Canberra and Darwin hearings were held in public hospitals: the Women's and Children's Hospital, North Adelaide; the Sir Charles Gardiner Hospital, Perth; St Vincent's Hospital, Sydney; the Princess Alexandra Hospital, Brisbane and St Vincent's Hospital, Melbourne. The Committee had the opportunity to inspect facilities at these hospitals and, in addition, visited a number of other hospitals to inspect facilities and to hold informal discussions with administrative and clinical staff. Hansard transcripts of the public hearings may be accessed at www.aph.gov.au/hansard. Witnesses who gave evidence at the hearings are listed in Appendix 2.

First Report

1.8 By the conclusion of the public hearing schedule, the Committee had received a considerable volume of evidence relating to the terms of reference and the Australian health care system in general. From this evidence the Committee was able to identify clearly not only widespread community support for the public hospital system but also increasing disquiet by the Australian public at the way in which governments – the Commonwealth, the States and Territories – have engaged in game playing and cost and blame shifting.

1.9 The evidence pointed to some fundamental problems in the public hospital system: it is significantly underfunded; the roles and responsibilities of different levels of government are fragmented in relation to funding and delivery of services; cost shifting impacts adversely on service efficiency and delivery; and data is often not comparable between different levels of government.

1.10 The Committee considered that it would be useful to draw together funding information into a First Report, as its initial response to the terms of reference. The Committee considered that there was a need for further debate on the problems being faced by the public hospital system and that the First Report would act to stimulate that debate.

1.11 The First Report was tabled on 11 August 2000. The Report presented an overview of the public hospital sector, identified the major problems of the hospital system, examined the adequacy of funding and canvassed a range of options for reform which had been raised by participants in the inquiry. This was an initial report by the Committee and did not contain any conclusions or recommendations or endorse any particular reform option. Rather, the report reflected the views of participants with the intention that those views would be discussed further. The First Report may be accessed at www.aph.gov.au/senate_ca.

Roundtable Discussions

1.12 In order to move the debate on further, the Committee convened a Roundtable Discussion on 18 August 2000 at which expert participants considered the options presented in the First Report. The Roundtable provided a valuable evaluation of the options for reform of the hospital system. Options for funding reform were considered at a theoretical level with assessment of the likely success or otherwise of the options as the basis of reform of the hospital funding system. A discussion of the options and comments by participants is provided in Chapter 3 of this Report.

1.13 At the Roundtable, participants indicated that it would be useful if a broader discussion with clinicians and those at the ‘coal face’ of service delivery also took place. It was considered that these participants would be able to identify problems and how options may impact on the efficiency and effectiveness of public hospital service delivery. A further Roundtable was convened on 20 November 2000 at which health, allied health and consumer groups discussed reform of the hospital system and mechanisms to improve the delivery of quality care.

1.14 The Committee would especially like to thank the participants at both Roundtables for their valuable contributions. The Roundtables provided a unique mechanism to discuss the much needed reform of the hospital funding system and to identify directions for reform that, if implemented, would result in a more efficient and effective public hospital system providing quality care for all Australians.

1.15 The Roundtables allowed all present, a wide range of health experts and senior players in the delivery of health care, to exchange views and ideas. Both were highly supported by those attending and led to calls for further opportunities for health policy discussions. This is described further in Chapter 3.

Assistance with the inquiry

1.16 The terms of reference of the inquiry raised highly complex issues surrounding the current financial arrangements between the Commonwealth, States and hospitals/health services and their impact on service delivery now and in the future. Evidence received in submissions, public hearings and supplementary information provided by many inquiry participants contributed to the Committee's deliberations.

1.17 The Committee was greatly assisted by the Centre for Health Economics Research and Evaluation (CHERE) at the University of Sydney, in its consideration of the evidence. CHERE provided specialised research, information and advice addressing the more complex issues raised during the inquiry. CHERE provided a detailed research paper for the Committee which can be accessed at http://www.aph.gov.au/senate_ca.

1.18 The Committee also received expert staffing and research assistance from Mr Paul Mackey of the Social Policy Group of the Department of the Parliamentary Library. The Committee thanks the Library for its cooperative assistance with the Committee's work.

1.19 The Committee was helped as ever by the Secretariat, Mr Elton Humphery, Ms Christine McDonald, Mr Peter Short, Ms Leonie Peake and Ms Ingrid Zappe. Not only did they assist the Committee with reading submissions, preparing the report and arranging hearings, they also met the demands of two Roundtables, essentially unprecedented, and enabled both to be undertaken successfully.