

DEMOCRATS SUPPLEMENTARY REPORT

The Democrats endorse the recommendations of the Final Report. Specifically, the Democrats support the development of better funding mechanisms for public hospitals and other public health services. Submissions provided to the Committee and evidence from witnesses emphasised the need to see hospital services as one part of the broader public health system which includes general practice, aged care, allied health and home and community care (HACC) services.

The Democrats believe that there is overwhelming evidence that the current funding arrangements for health and community services do not maximise either efficiency or health outcomes.

The major problems identified by the Committee within the health and community service sector include:

- a lack of coordination between different sectors of the health system
- cost-shifting and buck-passing between federal and state governments
- an inefficient use of resources across the health system
- geographical inequities in access to health services
- unequal imposition of health care costs on people on low incomes and people with chronic illnesses.

The Committee heard evidence from a number of witness confirming that the current funding and structural arrangements for health and community services cause significant wastage throughout these sectors. Different levels of Government and different vertically structured health programs have a financial incentive to shift responsibility for providing appropriate care elsewhere to save their own costs. This results in the misdirection and inappropriate use of health care resources and costs the community millions of dollars a year.

The Democrats believe that there has been insufficient research conducted into the many ways in which resources in the health sector are wasted through duplication of function, cost-shifting and inappropriate use. However, the Committee was provided with some important examples of where the costs of these practices are clearly considerable, for example, the use of acute care beds for nursing home type patients.

The Democrats are concerned that current health funding arrangements work against adopting a more preventive approach to health. Under the current system neither hospitals or, in many cases GP's, have an incentive to focus on preventive health or health promotion. Apart from some specific programs, such as payments to increase vaccination rates in GP's rooms, payment structures within the health system are linked to throughput and not to cost effective, quality or preventive care.

The Democrats recommend that an alternative model of health funding and service delivery be trialed for a period of three to four years.

The aims of this funding model are as follows:

- High quality care
- Integrated care across health, aged and community care sectors
- Increased consumer input into funding and service delivery decisions
- Focus on most appropriate care and health outcomes, regardless of funding source
- Cost effective care, regardless of level of government funding
- Flexible enough to respond to different populations priorities and needs
- A reduction in adverse events and unnecessary hospital admissions
- An increased focus on prevention and quality of care.

The key to this model is to have a single funder for all health and community services. This model involves a pooling of all health and community care funding from Commonwealth and State/Territory Governments.

A single funder has the advantage of increased purchasing power and would eliminate the incentives for cost-shifting and duplication of administration. It would also be a more powerful negotiator with interest groups within the health system, such as doctors.

The pooled funding would be allocated on a regional basis to a number of discrete regions throughout Australia. Provision would be made for rural and remote regions where health care costs are higher. Regions would have control over the allocation of funding within their areas. The Commonwealth would set minimum standards of service delivery for specific areas of health care, ie acute care, drug and alcohol services and physiotherapy.

Within these guidelines regions would be able to determine priorities for funding for their population. Within parameters set by the Commonwealth, regions would determine any co-payments required for health services and how these are levied. The States would monitor the quality of care and health outcomes, providing data to the Commonwealth. The Commonwealth would collect data on health service provision and health status of the general population and specific population groups.

The Democrats believe that pooling of funding allows more flexibility and greater coordination between services. A regional funding structure would allow regions to respond to priorities within their populations. This model would also encourage increased consumer participation into health funding and the organisation of health services at a local level. It would facilitate a preventive approach to health care which will save health costs in the long run.

The current incentives for cost-shifting and buck-passing would be removed, as regions would benefit from providing more efficient and cost-effective care. It would also remove the need for negotiations on the Medicare agreements and the constant arguments between State and Federal Governments over health funding.

The Democrats recommend that two trials of the integrated health funding model be established and recommend the ACT and the Hunter Valley region as sites for the trials.

Senator Meg Lees
Leader of the Australian Democrats

