National Health Reform

The Australian experience
Background to reform

- Budget funded
- Federal
  - Australian Government directly subsidises private doctors, allied health care practitioners, medicines, aged care
  - States responsible for public hospitals and community health services
    - The Australian Government provides grants to help with the cost of delivering state health services
Australian Health System

- Total health expenditure $130 billion (2010-11), 9.3% of GDP
- Real growth in health expenditure between 2000-01 and 2010-11 was 5.3% per year

- Three sources of funding
  - Australian Government 42.7%
  - State & territory 26.4%
  - Non-government 30.9%

- Commonwealth funding
  - Grants to states $14.2 billion
  - Own program expenditure $32.8 billion
  - Private health insurance rebates $4.6 billion
  - Non-specific tax expenditure $0.5 billion
  - DVA $3.5 billion
Objectives of reforms

- Financial sustainability
  - For health costs more generally
  - Between Commonwealth and the states

- Improved health outcomes
  - Efficiency
  - Local governance
  - Increased transparency
Financial sustainability

• Health expenditure more than doubled as a share of the economy over last 50 years
  – Expected to grow even further

• ‘Vertical Fiscal Imbalance’
  – States responsible for many areas of service delivery but with limited, and inefficient, revenue bases
  – Australian Government has a broad range of more efficient revenue sources and has a significant role in funding health
Australian Government share of public hospital funding

Australian Government share pre reforms

Australian Government share under reforms
Elements of reforms

- New Federal financing arrangement
- Activity based funding
- Local governance
  - Local Hospital Networks
  - Medicare Locals
- Increased transparency
  - National Health Funding Pool
  - Independent monitoring and reporting of safety, quality and performance
New financing arrangements for public hospital services

• Increased Australian Government funding of growth in public hospital expenditure

• Growth based on hospital activity and the National Efficient Price (NEP)
  – NEP set by Independent Hospital Pricing Authority
  – Small rural and regional hospitals; teaching, training and research; public health activities continue to be ‘block funded’
Transition to ‘uncapped’ growth funding

- Guaranteed minimum of $16.4 billion in additional funding over six years
- Capped for the first two years
- Uncapped from 2014-15
  - 45% of ‘efficient growth’ for next two years
  - 50% of ‘efficient growth’ from 2017-18
Activity Based Funding

- Hospital services given a price weighting
- Loadings
  - for remoteness, patient complexity and other ‘legitimate and unavoidable cost differences’
- NEP initially set at the average cost
- States meet the balance of the cost
  - Not required to use NEP
  - But NEP creates a benchmark that will drive change
Financial governance arrangements

- **Aust Govt**
  - General revenue assistance & other health specific payments
  - All NHR funding

- **State/Territory Treasuries**
  - ABF funding
  - Block funding
  - Public health and any top up funding

- **National Health Funding Pool** (state owned pool accounts)
  - Overseen by an independent administrator
  - ABF funding
  - Block Funding

- **Local Hospital Networks**

- **State managed funds**

- **State Health department accounts**

- **Legend**
  - Red arrow: Aust Govt funding flow
  - Blue arrow: State funding flow
  - Green arrow: Aust Govt & State funding

**Public hospital funders & system administrators**

**System reporting and accountability**

**System managers**

**Service providers**
Local hospital networks

• Responsible for operational management
• State Governments remain responsible for overall system management
  – Establishment of LHNs under State law and managing performance
  – Purchasing of services
  – Planning, funding and delivering capital
Medicare locals

- Co-ordinate delivery of primary health care
- Identifying service gaps putting in place services to address these gaps
- Expected to work closely with LHNs
Increased transparency

- Payments to Local Hospital Networks through a National Health Funding Pool
- Clearer accountability/reduced blame-shifting
  - Australian Government funding follows State decisions about the services they choose to purchase
Independent monitoring

- National Health Performance Authority
- Australian Commission on Safety and Quality in Health Care
- Helps protect against over-emphasis on cost cutting and throughput
National health system governance framework

- **Independent Hospital Pricing Authority**: Determines the national efficient price of public hospital services.
- **National Health Performance Authority**: Produces quarterly reports on Medicare Locals and Local Hospital Networks.
- **Australian Commission on Safety and Quality in Health Care**: Develops and monitors quality standards for health care across Australia.
- **Local Hospital Networks**: Geographic and specialised services networks that are owned by the State Governments.
- **Medicare Locals**: Primary health care organisations funded by the Australian Government - new entities still in the early stages of establishment.
Other reforms

• Using financial leverage to improve efficiency and patient outcomes
• $3.4 billion for elective surgery, emergency department (ED) and subacute care services
• Funding linked to performance benchmarks
• National Elective Surgery Target
• National Emergency Access Target – 90% of patients seen within four hours
Unfinished business

• Primary Health Care
  – Would a single government funder lead to more integrated and coordinated services?
  – Working together on policy and planning of General Practice and primary health care services.

• Boundary between public hospitals and community health services
  – Will the new funding arrangements reverse the trend towards delivering more services in a community setting?
Reform timeline and process

- February 2008: National Health & Hospital Reform Commission announced
- July 2009: Commission’s final report provided to Government
- April 2010: National Health & Hospitals Network Agreement signed by (nearly all) governments
- February 2011: National Health Reform Heads of Agreement
- August 2011: National Health Reform Agreement signed by all governments