



**Australian Health Care Agreements:
18 recommendations for improvement**

Canberra, 18 March 2008

A report released in Canberra today says the cost of maintaining Australia's health system at its current high standard is becoming unsustainable and that major structural change is needed.

The "Report into the Operation and Future of Australian Health Care Agreements" (AHCAs) was commissioned by the Australian Centre for Health Research (ACHR) and prepared by TFG International.

Key recommendations include:

- There must be much greater emphasis on preventative care and the AHCAs should insist that the Commonwealth and the States promote, by legislation if necessary, various measures to address public health problems, reinforcing governments' dual role of health promotion and treating those who are unwell
- Deficiencies in obtaining accurate, up-to-date and consistent data on the performance of public hospitals must be urgently addressed
- The Commonwealth should take full responsibility for funding public hospital services
- The community generally and patients in particular should be made aware of the costs of their treatments and the Federal government should explain the cost of the health system and how it is, and will be, funded.

In all, the Report offers 18 recommendations and observations on how the next AHCAs might be a vehicle for improving the delivery of hospital and related services.

ACHR Executive Director, Neil Batt, said the Report was the Centre's latest contribution to promoting constructive debate about Australia's health care system.

"The funding of public hospitals is clearly very important in delivering acute patient care; we asked TFG International to take an objective look at the Agreements and to see how they might be improved. We believe their Report bears close consideration."

TFG Chairman, Ken Baxter says that in general terms, the Report concludes that major changes are needed if Australian health care standards are to be maintained at amongst the best in the world and if universal access is to continue as a cornerstone of the health system.

“We reached the view that there are many matters requiring urgent decision by Governments, the community and health sector professionals.

“Unless there is major structural change and a new approach from both government and the consuming public, the quality of the health system will slowly decline. Without change, health expenditure will consume a larger and larger percentage of the budget*.

“This is not a realistic alternative unless governments are prepared to increase taxation, fees and charges or divert funds from other essential services.

“There is also the need to put far greater emphasis on preventative care, aimed at keeping people out of hospitals,” said Mr Baxter.

Other recommendations include:

- Hospital funding should not rely on sanctions and penalties (which have never been applied) and move towards incentives based on measurable, transparent national performance indicators.
- The AHCAs should facilitate the urgent introduction of a nationally based IT and management information system which produces relevant data about patients and the health system as a whole.
- To relieve pressure on Casualty/Emergency wards and to enable non-acute cases to receive more timely attention, AHCAs should encourage the establishment of extended hour, bulk-billing GP clinics close to public hospitals.”
- The Commonwealth needs to address immediately the availability of aged care facilities and services.

There are also recommendations dealing with remunerating medical staff, increasing the overall supply of doctors, co-operative arrangements between public and nearby private hospitals, cost shifting and greater flexibility in setting the level of private health insurance premiums.

And, the Report proposes that all patients should know the cost of their treatments.

“Under Medicare and under many private health insurance arrangements, individuals receive high levels of care that may include surgery and involve the use of high-cost technology, yet they often leave hospital without any sense that their treatment has cost perhaps tens of thousands of dollars. In our view sending clear signals about costs provides an important incentive to improve lifestyles with a view to keeping out of the hospital system,” Mr Baxter added.

Further information:

Neil Batt
Executive Director
ACHR

M: 0409 399022

Ken Baxter
Chairman
TFG International
T: 02-9251 3025
M: 0411 154 693

Peter Thomas
Director
TFG International
T: 02-9251 3025
M: 0413 210 091

*The Australian Government's expenditure on public health, public hospitals and a range of related programs is 7.3% of GDP and is estimated to climb steadily over the next two decades. It is possible that, with an ageing population and demand for higher standards of health care, the overall cost of government and private sector spending on health could exceed 20% of GDP by 2025.

Additional Information

The terms of reference provided to TFG International by the ACHR were:-

1. To examine the degree of duplication between the Commonwealth and the States in the provision and funding of health services and cost shifting between the States and the Commonwealth and between recurrent and capital expenditure within the States,
2. To examine the capacity of future generations to afford to fund health care at the current or higher standards,
3. The appropriateness of the current structure of the Commonwealth and States funding arrangements (the Australian Health Care Agreements),
4. Assess what are possible replacements there might be for the current Agreement or modifications to it,
5. Assess the process of measuring performance and renegotiating the AHCA to assess if it is the most effective way to fund public hospitals,
6. The possibility of introducing incentives to make positive changes to the public hospital system,
7. To determine if there are models or lessons that can be drawn from international experiences that would enable Australia to improve performance and restrain cost increases, and
8. Assess the factions in the health care sector and government that would mitigate against reform.